Carnegie Mellon University

RELENTLESS: MOMENTUM

FISCAL YEAR
2021–2022

RELENTLESS:

There's no slowing down the thinkers and doers of Carnegie Mellon University. We let nothing interrupt our pursuit of new knowledge and novel solutions. The strength of our collective intellectual curiosity powers us onward in a spirit of confidence and optimism. Always resilient, always hopeful, always looking forward, we remain in constant motion as we find and create ways to make a positive impact on our community and the world. **It's not just our mindset. It's our mission.**

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FACTS AND FIGURES

Type of University
A private, global research university granting over 4,800 bachelor's, master's and doctoral degrees each year.

Colleges and Schools
College of Engineering
College of Fine Arts
Dietrich College of Humanities and Social Sciences
Heinz College of Information Systems and Public Policy
Mellon College of Science
School of Computer Science
Tepper School of Business

Student Community
7,308 undergraduates, 6,212 master's students, 2,181 doctoral students and 117 non-degree students

World-Class Workforce
6,094 total employees
1,499 faculty
4,595 staff

Engaged Alumni Network
117,257 alumni

Carnegie Mellon Faculty and Alumni Award Highlights
20 Nobel Prize Laureates
65 Members, National Academy of Engineering
20 Members, National Academy of Sciences
6 Members, National Academy of Medicine
1 Member, National Academy of Public Administration
142 Emmy Award Winners
52 Tony Award Winners
13 Academy Award Winners
2 Stockholm Prize in Criminology Recipients
13 Turing Award Recipients

Tartans Athletics
Carnegie Mellon's teams are "The Tartans;" NCAA Division III classification; founding member of the University Athletic Association; 19 varsity sports teams; 41 club and intramural sports.

Birthplace of Big Ideas
Carnegie Mellon has been at the forefront of social and technological transformation since its founding and is world-renowned for its entrepreneurial spirit. Carnegie Mellon is the birthplace of technologies like artificial intelligence, autonomous vehicles and Java programming language; the university is also an innovator in academics, as the first American university to confer degrees in drama, the first in the U.S. to offer bachelor's degrees in artificial intelligence and the first university robotics program in the world.

CMU History
Founded in 1900 by industrialist and philanthropist Andrew Carnegie as a technical school serving working-class Pittsburgh; became Carnegie Institute of Technology in 1912; merged with the Mellon Institute in 1967 to become Carnegie Mellon University.

Physical Footprint
157.4-acre Pittsburgh campus; 126 campus-owned buildings; two branch campuses.

Part of the Pittsburgh Renaissance
Carnegie Mellon's main campus is approximately five miles east of downtown Pittsburgh, Pennsylvania, bordered by 500-acre Schenley Park and three culturally active residential neighborhoods. CMU has been a key partner in the Pittsburgh region's development as a hub of technological innovation and culture.

Global Impact
Carnegie Mellon is a global university, with students, alumni and faculty from almost every country on the planet and research partnerships worldwide. Carnegie Mellon operates branch campuses in Doha, Qatar, and Silicon Valley, California, and has over a dozen degree-granting locations including Kigali, Rwanda — the only American research university with master's degree programs and full-time faculty, staff and operations on the African continent.

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INDEPENDENT AUDITORS' REPORT AND CONSOLIDATED FINANCIAL STATEMENTS

INDEPENDENT AUDITORS' REPORT
TO THE BOARD OF TRUSTEES OF
CARNEGIE MELLON UNIVERSITY AND ITS SUBSIDIARIES

Opinion

We have audited the consolidated financial statements of Carnegie Mellon University (the University), which comprise the consolidated statements of financial position as of June 30, 2022 and 2021, and the related consolidated statements of activities and cash flows for the years then ended, and the related notes to the consolidated financial statements.

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

Basis for Opinion

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

Responsibilities of Management for the Consolidated Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

KPMG

In performing an audit in accordance with GAAS, we:

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

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

KPMG LLP

Pittsburgh, Pennsylvania
October 13, 2022

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

June 30, 2022 and 2021 *(dollars in thousands)*

	2022	2021
Assets		
Cash and cash equivalents *(Note 2)*	$765,478	$700,526
Accrued interest and dividends	2,556	1,743
Accounts receivable, net *(Note 4)*	94,684	89,222
Pledges receivable, net *(Note 5)*	238,982	280,674
Student loans receivable, net *(Note 4)*	6,520	8,091
Investments *(Note 6 and Note 8)*	4,004,423	3,880,775
Assets held in trust by others *(Note 8)*	11,044	12,450
Unexpended bond proceeds *(Note 11)*	32,306	25,789
Prepaid expenses and other assets *(Note 2)*	61,258	57,943
Right-of-use assets *(Note 9)*	67,593	72,575
Land, buildings and equipment, net *(Note 10)*	1,218,118	1,162,849
Total assets	**$6,502,962**	**$6,292,637**
Liabilities		
Accounts payable and other liabilities *(Note 2)*	$227,917	$243,368
Deferred revenue *(Note 4)*	172,066	175,076
Federal student loan funds *(Note 2)*	6,299	7,788
Present value of split interest agreement obligations *(Note 2)*	16,624	15,811
Lease obligations *(Note 9)*	68,247	72,851
Debt obligations *(Note 11)*	758,313	659,172
Total liabilities	$1,249,466	$1,174,066
Net assets		
Without donor restrictions *(Note 12)*	$2,140,464	$2,058,406
With donor restrictions *(Note 12)*	3,113,032	3,060,165
Total net assets	$5,253,496	$5,118,571
Total liabilities and net assets	**$6,502,962**	**$6,292,637**

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

CONSOLIDATED STATEMENT OF ACTIVITIES

Year ended June 30, 2022 *(dollars in thousands)*

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and other support			
Tuition and other educational fees revenue, net of financial aid *(Note 4)*	$663,879	$ -	$663,879
Sponsored projects revenue *(Note 4)*			
Software Engineering Institute	129,940	-	129,940
Advanced Robotics for Manufacturing Institute	16,140	-	16,140
Other grants and contracts	319,154	-	319,154
Investment income	60,399	12,714	73,113
Contributions revenue *(Note 5)*	26,962	252,620	279,582
Auxiliary services revenue	67,687	-	67,687
Other revenue sources *(Note 2)*	93,229	-	93,229
Net assets released from donor restrictions	96,611	(96,611)	-
Total revenue and other support	$1,474,001	$168,723	$1,642,724
Expenses (*Note 14*)			
Salaries	$755,436	$ -	$755,436
Benefits	162,791	-	162,791
Other operating expenses	333,494	-	333,494
Depreciation and amortization	81,967	-	81,967
Interest expense	13,517	-	13,517
Total expenses	$1,347,205	$ -	$1,347,205
Increase in net assets before nonoperating activities	$126,796	$168,723	$295,519
Nonoperating activities			
Net realized/unrealized losses on investments *(Note 6)*	$(69,522)	$(104,606)	$(174,128)
Other *(Note 2)*	10,489	(4,033)	6,456
Post-retirement plan changes other than net periodic benefit costs *(Note 16)*	7,078	-	7,078
Net assets released from restrictions for capital	7,217	(7,217)	-
Total nonoperating activities	$(44,738)	$(115,856)	$(160,594)
Increase in net assets	$82,058	$52,867	$134,925
Net assets			
Beginning of year	**$2,058,406**	**$3,060,165**	**$5,118,571**
End of year	**$2,140,464**	**$3,113,032**	**$5,253,496**

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

CONSOLIDATED STATEMENT OF ACTIVITIES

Year ended June 30, 2021 *(dollars in thousands)*

	Without Donor Restrictions	With Donor Restrictions	Total
Revenue and other support			
Tuition and other educational fees revenue, net of financial aid *(Note 4)*	$568,712	$ -	$568,712
Sponsored projects revenue *(Note 4)*			
Software Engineering Institute	119,677	-	119,677
Advanced Robotics for Manufacturing Institute	19,018	-	19,018
Other grants and contracts	309,150	-	309,150
Investment income	55,402	8,859	64,261
Contributions revenue *(Note 5)*	21,638	462,767	484,405
Auxiliary services revenue	20,686	-	20,686
Other revenue sources	84,903	1,909	86,812
Net assets released from donor restrictions	83,679	(83,679)	-
Total revenue and other support	$1,282,865	$389,856	$1,672,721
Expenses (*Note 14*)			
Salaries	$713,528	$ -	$713,528
Benefits	163,415	-	163,415
Other operating expenses	261,373	-	261,373
Depreciation and amortization	80,165	-	80,165
Interest expense	12,127	-	12,127
Total expenses	$1,230,608	$ -	$1,230,608
Increase in net assets before nonoperating activities	$52,257	$389,856	$442,113
Nonoperating activities			
Net realized/unrealized gains on investments *(Note 6)*	$350,472	$717,940	$1,068,412
Other *(Note 2)*	5,020	10,103	15,123
Post-retirement plan changes other than net periodic benefit costs *(Note 16)*	159	-	159
Net assets released from restrictions for capital	26,381	(26,381)	-
Total nonoperating activities	$382,032	$701,662	$1,083,694
Increase in net assets	$434,289	$1,091,518	$1,525,807
Net assets			
Beginning of year	**$1,624,117**	**$1,968,647**	**$3,592,764**
End of year	**$2,058,406**	**$3,060,165**	**$5,118,571**

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

Years ended June 30, 2022 and 2021
(dollars in thousands)

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

	2022	2021
Cash flows from operating activities		
Increase in net assets	$134,925	$1,525,807
Adjustments to reconcile increase in net assets to net cash provided by operating activities:		
Realized and unrealized losses (gains) on investments, net	127,511	(1,115,886)
Depreciation and amortization	81,967	80,165
Amortization of right-of-use assets	20,775	20,119
Amortization of bond premium and bond issuance costs, net	(6,517)	(5,179)
Gifts in kind	-	(3,186)
Asset dispositions	1,300	1,829
Contributions for land, buildings, and equipment and endowment	(178,139)	(249,701)
Provision for bad debt and other allowances	(964)	(1,758)
Assets held in trust by others	(187)	(206)
(Increase)/Decrease in assets:		
Accrued interest and dividends	(813)	(1,279)
Accounts receivable, net	(6,236)	(18,999)
Pledges receivable, net	43,429	(146,990)
Other assets	(5,083)	(10,155)
Increase/(Decrease) in liabilities:		
Accounts payable and other liabilities	(24,035)	12,149
Operating lease obligations	(19,466)	(17,274)
Deferred revenue	(3,010)	22,061
Present value of split interest agreements payable	814	(59)
Net cash provided by operating activities	**$166,271**	**$91,458**
Cash flows from investing activities		
Proceeds from sale and maturity of investments	$1,459,525	$1,792,603
Purchases of investments	(1,709,090)	(1,973,323)
Purchases of land, buildings and equipment	(129,644)	(108,412)
Federal loan programs	(1,490)	(3,233)
Disbursements of loans to students	(15)	(20)
Repayments of loans from students	1,586	2,459
Net cash used for investing activities	**$(379,128)**	**$(289,926)**
Cash flows from financing activities		
Proceeds from issuance of indebtedness	190,564	$10,000
Repayments of debt obligations	(84,215)	(11,384)
Payment of debt issuance costs	(692)	-
Contributions for land, buildings, and equipment and endowment	178,669	250,716
Net cash provided by financing activities	**$284,326**	**$249,332**
Net increase in cash and cash equivalents, and restricted cash	$71,469	$50,864
Cash, cash equivalents and restricted cash at beginning of year	726,315	675,451
Cash, cash equivalents and restricted cash at end of year	**$797,784**	**$726,315**
Cash and cash equivalents	$765,478	$700,526
Unexpended bond proceeds *(Note 11)*	32,306	25,789
Total cash, cash equivalents, and restricted cash	**$797,784**	**$726,315**
Non-cash transactions		
Non-cash gift in kind	$896	$3,186
Increase in accounts payable and accrued liabilities for land, buildings and equipment	8,521	9,667
Non-cash stock contributions	2,172	536
Lease obligations arising from obtaining right-of-use assets	14,863	12,240

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. CARNEGIE MELLON

Carnegie Mellon University ("Carnegie Mellon" or "the university") is a private, not-for-profit educational and research institution. Carnegie Mellon currently enrolls approximately 15,800 students and granted approximately 5,100 bachelor's, master's and doctoral degrees in the last academic year. Approximately 78% of undergraduate students are from the United States of America. International students comprise approximately 22% of undergraduate, 63% of master's and 54% of Ph.D. students.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Accounting and Reporting

The accompanying consolidated financial statements have been prepared on the accrual basis of accounting in accordance with U.S. generally accepted accounting principles ("GAAP") and include the accounts of Carnegie Mellon as well as the Software Engineering Institute ("SEI") and other majority-owned entities. The consolidated entities are Advanced Robotics for Manufacturing Institute ("ARM Institute"), Benjamin Garver Lamme Scholarship Fund, Jack G. Buncher Charitable Fund for Carnegie Mellon, iCarnegie, Inc. and Carnegie Innovations, LLC. All significant inter-entity transactions and balances have been eliminated in consolidation. Carnegie Mellon is a joint sponsor with the University of Pittsburgh in MPC Corporation ("MPC"), a beneficiary of The Dietrich Foundation, and an owner as a tenant in common of the Bellefield Boiler Plant. The activities of MPC, The Dietrich Foundation and the Bellefield Boiler Plant are not consolidated in Carnegie Mellon's consolidated financial statements (see *Note 17*).

The SEI is a federally funded research and development center (FFRDC) sponsored by the U.S. Department of Defense ("DoD") and operated by the university. The most recent contract provided a five-year initial term ended in June 2020 plus a five-year renewal option, which was exercised in July 2020. In January 2017, the DoD awarded the ARM Institute, a nonprofit venture led by Carnegie Mellon, a seven-year contract to launch an advanced robotics manufacturing institute in Pittsburgh.

Carnegie Mellon's net assets and revenues, expenses, gains and losses are classified based on the existence or absence of donor imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Without Donor Restrictions

Net assets that are not subject to donor-imposed stipulations.

With Donor Restrictions

Net assets subject to specific donor-imposed or legal stipulations that can be fulfilled by actions of Carnegie Mellon pursuant to those stipulations or that expire by the passage of time. Also included in this category are net assets subject to donor imposed stipulations requiring the assets be maintained in perpetuity. Generally, the donors of these assets permit Carnegie Mellon to use all or part of the income earned on the related investments for general or specific purposes. Other restricted items in this category include annuity and life income gifts where the ultimate purpose of the proceeds is donor restricted.

Revenues are reported as increases in net assets without donor restrictions unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by the donor or by law. Expiration or satisfaction of donor restrictions on net assets are reported as net assets released from donor restrictions.

Cash Equivalents

Cash equivalents include highly liquid investments with original maturities of three months or less when purchased. Cash equivalents are recorded at cost, which approximates fair value. These balances are held at the university's custodians, prime brokers, clearing agents and banking institutions for investment and working capital purposes. Cash equivalents held within investments are held for long-term purposes and not considered cash equivalents for purposes of the statements of cash flow.

Investments

All investments held by Carnegie Mellon are reported at fair value. The fair value of marketable debt and equity securities is based on published current market prices in active securities markets. The fair value of certain investments structured as investment companies is based on the net asset value of such investments and generally is estimated by external investment managers.

As a practical expedient, the university is permitted to estimate fair value of an investment in an investment company, at the measurement date, using the reported net asset value (NAV) without further adjustment unless the university expects to sell the investment at a value other than NAV or if the NAV is not calculated in accordance with fair value principles. Investments measured under the net asset value practical expedient primarily consist of the university's ownership in alternative investments (principally limited partnership interests in private equity, real estate, natural resources and hedge funds) and certain investments in commingled funds.

Carnegie Mellon reviews and evaluates the valuation methods and assumptions used by investment managers in determining fair value NAV. Those estimated fair values may differ significantly from values that would result had a ready market for these securities existed. *Note 8* - *Fair Value* provides additional information about inputs used to determine fair value for investments. Investments received as a gift are reflected as contributions at their fair value at the date of the gift.

Gains and losses, dividends and interest income from investments are reported in the Consolidated Statements of Activities. Internal and external investment management fees and expenses are netted against investment returns.

Investment securities, in general, are exposed to various risks, such as interest rate, credit and overall market volatility. Due to the level of risk associated with certain investment securities, changes could materially affect the amounts reported in the Consolidated Statements of Financial Position.

Endowment

Investment policy for endowment assets is the responsibility of the Investment Committee of the Board of Trustees. Substantially all endowment assets are managed by outside investment managers and overseen by the university's Investment Office.

Endowment net assets without donor restrictions include Carnegie Mellon funds, gifts without restrictions from donors and any accumulated income, gains and appreciation thereon, which is intended to remain in the endowment for the long-term support of Carnegie Mellon activities, but may be expended under trustee authorization. Also included is interest and dividend income on donor-restricted endowment assets where distribution of such income is not subject to a donor restriction.

Endowment net assets with donor restrictions include gifts and any accumulated income, gains and appreciation thereon which donor restrictions require to be retained in perpetuity to provide a permanent source of support for the university. Also included are accumulated income, gains and appreciation on endowment assets where distribution/spending of such returns is restricted by the donor. The trustees of Carnegie Mellon must annually authorize release of endowment gains according to Pennsylvania law. This classification also includes term endowments and endowment gifts whereby the donor permits distributions of the principal amount of the gift and accumulated appreciation.

All endowment funds participate in a Carnegie Mellon investment pool. The investment pool provides income to its respective participants. Such income is used for the specific purpose prescribed by the donor or, if the purpose was not prescribed by the donor, the income is deemed to be without donor restrictions and used for general purposes. New endowment funds or additions to existing funds are assigned shares in the investment pool based upon the per-share market value at the end of the previous month. Income distributions from the investment pool are based upon the number of shares held by each participant and the approved spending rate (see *Note 7*). Income distributions from the investment pool are based upon the "total return concept." Component amounts of total return not distributed currently are reinvested in the investment pool and are available for distribution from the endowment assets in future years.

Assets Held in Trust by Others

Assets held in trust by others include the value of Carnegie Mellon's beneficial interest in perpetual trusts and irrevocable trusts held by outside trustees. The present value of the perpetual trusts' estimated future cash receipts, which are measured by the fair value of the assets contributed to the trust, are recognized as assets and contribution revenues at the dates the trusts are established. The assets are adjusted periodically for changes in market values.

Various donors have established irrevocable trusts whereby Carnegie Mellon holds a remainder interest in the trust or is entitled to distributions over the life of the trusts. The present value of the portion of the trusts estimated to be distributable to Carnegie Mellon over the life of the trusts or upon the termination of the trusts are recorded as assets and contribution revenues at the dates the trusts are established. The assets are adjusted periodically for changes in market value.

Unexpended Bond Proceeds

Unexpended bond proceeds in the amount of $32.3 million as of June 30, 2022, represent cash proceeds from the issuance of Series 2022 C bonds in February 2022, while $25.8 million as of June 30, 2021, represent cash proceeds from the issuance of Series 2020A bonds in February 2020. The unexpended bond proceeds are held by a trustee under the respective bond indenture for capital expenditures. See *Note 11* for more information.

Prepaid Expenses and Other Assets

Prepaid expenses represent items such as prepaid insurance, prepaid rentals and other contractual payments made in advance of their use or consumption. Amounts are expensed and amortized over the periods to which the charges relate. Other assets include deferred compensation plan assets, swap assets and other costs incurred that will result in benefits to future periods.

Right-of-use Assets and Lease Obligations

Operating lease right-of-use ("ROU") assets and operating lease obligations are recognized based on the present value of the future minimum lease payments over the lease term at commencement date. As the university's leases generally do not provide an implicit rate, the university's incremental borrowing rate at commencement date is used to determine the present value of future payments. The operating lease ROU asset also includes any lease payments made and excludes lease incentives and any initial direct costs incurred. The university's operating lease ROU assets and operating lease obligations are calculated including options to extend the lease when it is reasonably certain that the university will exercise that option. Lease expense for minimum lease payments is recognized on a straight-line basis over the lease term.

Land, Buildings and Equipment

Land, buildings and equipment are recorded at cost at the date of acquisition or, if acquired by gift, at the fair value as of the date of the gift. Additions to plant assets are capitalized while scheduled maintenance and minor renovations are expensed to operations. Buildings and equipment are reflected net of accumulated depreciation which is calculated on a straight-line basis over the estimated useful lives. Carnegie Mellon capitalizes interest during periods of construction. Carnegie Mellon reviews its land, buildings, equipment and other long-lived assets for impairment whenever events or circumstances indicate that the carrying amount may not be recoverable.

Donated works of art, historical treasures and similar assets have been recognized at their estimated fair value based upon appraisals or similar valuations at the date of acquisition or donation. If purchased, the assets are recognized at cost. The assets are depreciated over 99 years.

Accounts Payable and Other Liabilities

Accounts payable and other liabilities include accounts payable, accrued payroll and benefits, swap liabilities and other accrued expenses.

Federal Student Loan Funds

This liability represents Perkins loan funds provided to students by the federal government through Carnegie Mellon. Carnegie Mellon is required to collect the loans on behalf of the federal government. The federal government did not renew the Perkins loan program after September 30, 2017, and did not allow disbursements to be made after June 30, 2018. The university has elected to retain the outstanding loans in lieu of assigning the loans to the federal government. The liability will be repaid over the years that loan repayments are received from student borrowers. During the years ended June 30, 2022 and 2021, $1.5 million and $3.0 million was repaid to the federal government, respectively. The amounts due from the students are reported in the Consolidated Statements of Financial Position as a component of student loans receivable, net.

Present Value of Split Interest Agreements Obligations

Carnegie Mellon's split interest agreements with donors consist primarily of gift annuities, unitrusts, lead trusts, charitable remainder annuity trusts and life income agreements. Assets held under these agreements are included in investments. Generally, contribution revenues are recognized at the dates the agreements are established, after recording liabilities for the present value of the estimated future payments to be made to the beneficiaries. The liabilities are adjusted during the term of the trusts for changes in the value of the assets, accretion of the discount and other changes in the estimates of future benefits. The discount rates utilized for split interest agreements range from 0.4% to 6.0%. Distributions from the trusts are recorded in accordance with the donor's stipulations as contributions and the carrying value of the assets are adjusted for changes in the fair value of the trust assets.

Operating Activities

Carnegie Mellon's measure of operations without donor restrictions includes revenue from tuition, sponsored projects, investment return distributed according to Carnegie Mellon's spending policy, contributions without donor restrictions, contributions for programs, revenues from auxiliary services and other sources, and net assets released from donor restrictions. Operating expenses are reported by natural classification.

Revenue Recognition from Contracts with Customers

Revenue is recognized when control of the promised goods or services is transferred to customers in an amount that reflects the consideration the university expects to be entitled to receive in exchange for those goods and services.

Contributions Revenue

Contributions include gifts, grants and unconditional promises to give that are recognized as revenue, at fair value, in the period such commitments are received. Conditional promises to give may be subject to both a barrier to entitlement and a right of return of unused funds. Such contributions are recognized as revenue when the barrier is satisfied. Unconditional promises to give to be received in future years are discounted, as of the date of the gift, at a rate commensurate with the pledge payment schedule. A discount rate commensurate with fair value is used. An allowance is estimated for uncollectible contributions based upon historical patterns and any known uncollectible accounts or accounts in arrears.

Capital Contributions

Donors' contributions to fund construction projects are classified as net assets with donor restrictions and are released from donor restriction through nonoperating activities when the facility is placed in service. $7.2 million and $26.4 million of capital contributions were released from donor restrictions during fiscal years 2022 and 2021, respectively.

Nonoperating Activities

Items presented in the Consolidated Statements of Activities as "Nonoperating activities" include unrealized gains and losses and interest expense related to interest rate swap agreements, losses from adjustments of pledges receivable with donor restrictions, and certain other gains and losses.

Income Taxes

Carnegie Mellon is a nonprofit organization as described in Section 501(c)(3) of the Internal Revenue Code (the "Code") and is generally exempt from income taxes on related income pursuant to Section 501(a) of the Code.

The university accounts for uncertainties in income taxes in accordance with authoritative guidance, which prescribes a recognition threshold of more-likely-than-not to be sustained upon examination by the appropriate taxing authority. Measurement of the tax uncertainty occurs if the recognition threshold has been met. Management determined there were no tax uncertainties that met the recognition threshold at June 30, 2022 and 2021.

The university's federal Exempt Organization Business Income Tax Returns remain subject to examination by the Internal Revenue Service for the years subsequent to June 30, 2017.

The university's policy is to recognize interest related to unrecognized tax benefits in interest expense and penalties in operating expenses.

Use of Estimates

The preparation of consolidated financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported consolidated financial statements and related accompanying footnote disclosures. Actual results could differ from those estimates and these differences could be material.

Adoption of New Accounting Pronouncements

In September 2020, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2020-07, *Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets* (ASU 2020-07). ASU 2020-07 addresses current guidance on the presentation of contributed nonfinancial assets within the Consolidated Statements of Activities. The standard is effective for fiscal years beginning after June 15, 2021, with early adoption permitted and should be applied on a retrospective basis to each period presented. The university adopted this standard on July 1, 2021, the result of which did not have a material impact on its consolidated financial statements.

3. FINANCIAL ASSETS AND LIQUIDITY RESOURCES

The university continuously monitors liquidity needed to meet its operating activities while prudently investing its available capital. Possible sources of liquidity include cash and cash equivalents, short-term investments, marketable debt and equity securities, a $50.0 million line of credit and a $70.0 million commercial paper program (see Note 11). The university also anticipates converting certain receivables to cash within the next 12 months. As of June 30, 2022 and 2021, financial assets available within one year for general expenditure are as follows *(dollars in thousands):*

	2022	2021
Cash and cash equivalents	$765,478	$700,526
Accounts receivable, net	94,684	89,222
Pledge receivables donor restricted for operations	12,385	10,815
Short-term working capital investments	329,989	110,935
Subsequent year's approved endowment distributions	129,906	111,192
Subsequent year's approved long-term working capital distributions	14,548	11,221
Total financial assets available within one year	**$1,346,990**	**$1,033,911**

For purposes of analyzing resources available for general expenditures over a 12-month period, the university considers all expenditures related to its ongoing activities of teaching and research, as well as the conduct of services undertaken to support those activities, to be general expenditures. This includes short-term working capital investments available for construction and plant activity. Long-term working capital investments are included within the university's long-term investments pool. While the university does not intend to spend from these long-term working capital investments other than the amounts appropriated for general expenditure as indicated above, the long-term working capital investments could be made available if necessary. However, the long-term investments pool contains investments with lock-up provisions that reduce the total investments that could be made available (see Note 6 and Note 8).

4. REVENUE FROM CONTRACTS WITH CUSTOMERS AND ACCOUNTS RECEIVABLE

Tuition Revenue: Tuition revenue is recognized within the fiscal year in which educational services are provided. Revenue related to student services crossing fiscal years is recognized on a pro-rata basis based upon the number of instruction days in each period. Tuition, at published prices, from undergraduate students was $416.8 million and $399.3 million for the years ended June 30, 2022 and 2021, respectively. Tuition, at published prices, from graduate students was $396.8 million and $315.3 million for the years ended June 30, 2022 and 2021, respectively. Other education related revenue was $40.5 million and $31.5 million for the years ended June 30, 2022 and 2021, respectively. The transaction price for tuition revenue may be reduced directly by discounts or scholarships from the amount of the standard rates charged. These discounts are considered financial aid and were $190.2 million and $177.4 million for the years ended June 30, 2022 and 2021, respectively. Upon withdrawal, a student may be eligible to receive a refund, or a partial refund, the amount of which is dependent on the timing of the withdrawal during the academic term. The amount of refunds paid is not a significant portion of the university's tuition revenue.

Students are billed prior to the start of each academic term based upon the agreements they signed, and payment is due prior to the start of the term. Student receivables are not collateralized; however, credit risk is minimized as a result of the diverse nature of the university's student base. The university establishes an allowance for doubtful accounts based on historical trends and other information.

Sponsored Projects Revenue: The university receives sponsored program funding from various governmental and corporate sources. The funding may represent a reciprocal transaction in exchange for an equivalent benefit in return, or it may be a nonreciprocal transaction in which the resources provided are for the benefit of the university, the funding organization's mission or the public at large.

Revenues from exchange transactions are recognized as performance obligations are satisfied, which in most cases is as related costs are incurred. Revenue from non-exchange transactions (contributions) may be subject to conditions, in the form of both a barrier to entitlement and a refund of amounts paid (or a release from obligation to make future payments). Revenues from conditional non-exchange transactions are recognized when the barrier is satisfied. In addition, the university has elected the simultaneous release option for conditional contributions that are also subject to purpose restrictions. Under this option, net assets without donor restrictions will include the donor-restricted contributions for which the purpose restrictions are met in the same reporting period as the revenue is recognized.

Amounts recognized as sponsored projects revenue are based upon a signed contract for direct costs along with indirect cost recovery. Indirect sponsored projects revenue is recorded at rates established in advance by Carnegie Mellon through negotiations with the United States government and other sponsors based upon direct costs incurred. The actual federal indirect cost rate is audited by the Defense Contracts Audit Agency (DCAA) and a final fixed-rate agreement is signed by the United States government and Carnegie Mellon. The variance between the negotiated fixed and the final audited indirect cost rate results in a carryforward (over or under recovery) that is included in the calculation of negotiated fixed rates in future years.

Sponsored projects revenue is invoiced per the terms of the contractual agreement. Amounts received from sponsors under agreements that require the exchange of assets, rights or other privileges between Carnegie Mellon and the sponsor are recorded as deferred revenue until the contract terms are fulfilled.

Auxiliary Services Revenue: Carnegie Mellon's auxiliaries exist primarily to furnish goods and services to students, faculty and staff. Managed as essentially self-supporting activities, Carnegie Mellon's auxiliaries consist principally of housing and dining services, parking, retail and other external services. Revenue is recognized as the services are provided based upon published prices and rates.

Other Revenue Sources: Other revenue is comprised of funding received for Carnegie Mellon's international locations, royalty income, licensing revenue, affiliate/membership revenue and other miscellaneous revenues. Other revenue is recognized as services are rendered or over the term of the contract and invoiced based on contractual terms.

The university has elected the practical expedient in ASC 606-10-50-14 to not disclose the information about remaining performance obligations that have original expected durations of one year or less. Federal and other sponsored grants and contracts may include fiscal funding clauses or be subject to annual appropriation. These sponsored research agreements typically span less than five years. The university estimates that its conditional awards outstanding as of June 30, 2022 approximate historical annual sponsored program activity.

Accounts receivable at June 30, 2022 and 2021, consist of the following *(dollars in thousands):*

	2022	2021
Sponsored project accounts receivable		
Software Engineering Institute	$158	$134
Other grants and contracts	57,772	57,571
Total sponsored projects accounts receivable	$57,930	$57,705
Student accounts	4,708	6,264
Other	34,363	27,607
Total student accounts and other	$39,071	$33,871
Allowance for doubtful accounts	(2,317)	(2,354)
Net accounts receivable	**$94,684**	**$89,222**

Other accounts receivable relates primarily to Carnegie Mellon's international programs, affiliate and membership agreements, license agreements and other miscellaneous revenue sources.

Deferred revenue at June 30, 2022 and 2021 consists of the following *(dollars in thousands):*

	2022	2021
Sponsored projects deferred revenue		
Software Engineering Institute	$7,498	$11,270
ARM Institute	-	1,823
Other contracts and conditional grants	56,052	56,944
Total sponsored projects deferred revenue	$63,550	$70,037
Student accounts	23,689	19,241
Other	84,827	85,798
Total deferred revenue	**$172,066**	**$175,076**

Student Loans Receivable

Net student loans receivable of approximately $6.5 million and $8.1 million, as of June 30, 2022 and 2021, respectively, primarily represent student loans made under the Perkins federal loan program. These loans are reported net of an allowance for doubtful accounts of approximately $0.5 million as of June 30, 2022 and 2021.

5. CONTRIBUTIONS REVENUE AND PLEDGES RECEIVABLE

Conditional promises to give, which depend on the satisfaction of identified barriers such as matching gifts from other donors, are recognized as contributions revenue when the conditions are substantially met. Carnegie Mellon had approximately $13.8 million and $24.7 million as of June 30, 2022 and 2021 of conditional pledged contributions outstanding primarily related to capital projects. In addition, the university had approximately

$23.0 million and $26.0 million related to conditional contributions as of June 30, 2022 and 2021, respectively, recorded as deferred revenue in the Consolidated Statements of Financial Position. These amounts were not recognized as contributions revenue during the respective fiscal year as the barriers had not been met.

Pledges receivable as of June 30, 2022 and 2021 are due as follows *(dollars in thousands):*

	2022	2021
In one year or less	$56,342	$47,020
Between one year and five years	150,789	171,487
More than five years	65,523	98,288
Pledges receivable, gross	$272,654	$316,795
Unamortized discount	$(23,715)	$(24,426)
Allowance for unfulfilled pledges	(9,957)	(11,695)
Pledges receivable, net of discount and allowance	**$238,982**	**$280,674**

6. INVESTMENTS

Investments by major class at June 30, 2022 and 2021, are as follows *(dollars in thousands):*

	2022	2021
Cash equivalents	$62,800	$77,787
Short-term fixed income securities	297,927	77,705
Fixed income securities	470,060	466,662
Equity securities	941,440	1,124,508
Alternative investment partnerships	2,232,196	2,134,113
	$4,004,423	**$3,880,775**

Investments are held for the following purposes *(dollars in thousands):*

	2022	2021
Endowment	$3,016,724	$3,088,868
Reserves for working capital and plant – short-term	329,989	110,935
Reserves for working capital and plant – long-term	536,297	551,385
Other	121,413	129,587
Total investments	**$4,004,423**	**$3,880,775**

Fixed income securities are United States Treasury and Agency obligations, investment grade corporate debt, short-term commercial paper and asset backed securities. Equity securities at June 30, 2022 included 51.7% domestic equities and 48.3% international and emerging market equities. Equity securities at June 30, 2021 included approximately 52.3% domestic equities and 47.7% international and emerging market equities. Alternative investment partnerships are largely investments in buyout, venture capital, real estate, natural resources and hedge funds.

The allocation to each major class in the previous table represents the actual allocation of the short-term and long-term reserves, and other miscellaneous investments on a combined basis. Actual allocations on a combined basis should not be interpreted as an investment allocation policy for a particular investment pool.

Operating investment income as reported in the Consolidated Statements of Activities includes dividends and interest earned on funds without donor restrictions as well as accumulated gains without donor restrictions utilized for current operations in the amounts of $46.7 million and $46.2 million for the years ended June 30, 2022 and 2021, respectively. The accumulated gains are reclassified from net realized gains to investment income.

Certain of Carnegie Mellon’s outside investment managers are authorized to and do purchase and sell derivative instruments in order to create, increase, decrease or hedge exposures to market position, including to manage risk due to interest rate and foreign currency fluctuations.

Carnegie Mellon’s long-term investments comprise U.S. domestic and international portfolios. Carnegie Mellon does not hedge international portfolios with respect to foreign currencies. Investment managers of these international portfolios have the discretion to, and certain do, manage foreign currencies through foreign exchange contracts to protect the portfolios from potential foreign currency losses and to benefit from potential gains. Carnegie Mellon’s investment managers understand that they are assuming active management risks to the extent that they assume foreign currency exposures that differ from the foreign currency exposures in their relevant market benchmarks.

Gains or losses from derivative instruments are reported as realized and unrealized gains or losses in the Consolidated Statements of Activities. The fair value of all derivative instruments is included in the fair value of the investments.

Under the terms of certain limited partnership agreements, Carnegie Mellon is obligated to periodically advance additional funding for venture capital, buyout, real estate and natural resources fund investments. At June 30, 2022 and 2021, Carnegie Mellon had unfunded commitments of approximately $702.3 million and $599.1 million, respectively, for which capital calls had not been exercised. Such commitments generally have fixed expiration dates or other termination clauses. Carnegie Mellon maintains sufficient liquidity in its investment portfolio to cover such calls.

Alternative investments, measured at NAV are less liquid than Carnegie Mellon's other investments. The following tables summarize these investments by strategy type at June 30, 2022 and 2021 *(dollars in thousands):*

	Number of Funds	2022 Fair Value	Number of Funds	2021 Fair Value
Commingled funds	6	$278,840	6	$357,814
Hedge funds	13	239,194	15	283,017
Natural resources	21	140,369	20	125,983
Private equity (buyout) funds	65	297,554	61	274,223
Real estate	24	148,704	20	129,206
Venture capital	203	1,385,667	181	1,302,283
Other	12	20,708	12	19,401
Total	**344**	**$2,511,036**	**315**	**$2,491,927**

Commingled funds and hedge fund investments held by the university may be subject to restrictions related to the initial investment that limit the university's ability to redeem capital from such investments during a specified period of time subsequent to the university's investment of capital in such funds, typically known as a lock-up period. Capital available for redemption after the lock-up period has expired may also be subject to limits which restrict the available redemption period to semi-monthly, monthly, quarterly, semi-annually, annually or triennially and require 2 – 180 days prior written notice, potentially limiting the university's ability to respond quickly to changes in market conditions. All commingled funds have passed the initial lock-up period as of June 30, 2022.

Natural resources, private equity, real estate, venture capital and other alternative investments cannot be redeemed upon request. Instead, the nature of these investments is that distributions are received through the liquidation of the underlying assets of the fund. It is estimated that the underlying assets of these funds would be liquidated over approximately four to eight years.

7. ENDOWMENTS

The following tables outline the endowment net asset composition by type of fund as of June 30, 2022 and 2021 *(dollars in thousands):*

2022	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted endowment funds	$ -	$2,525,149	$2,525,149
Board-designated funds	507,759	-	507,759
Total funds	**$507,759**	**$2,525,149**	**$3,032,908**

2021	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted endowment funds	$ -	$2,524,564	$2,524,564
Board-designated funds	567,500	-	567,500
Total funds	**$567,500**	**$2,524,564**	**$3,092,064**

The following tables provide a summary of the changes in value of the endowment net assets excluding endowment pledges for the years ended June 30, 2022 and 2021 *(dollars in thousands):*

2022	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	**$567,500**	**$2,524,564**	**$3,092,064**
Gifts and other additions	$20	$156,635	$156,655
Investment income			
Interest and dividends	7,565	11,111	18,676
Net realized gains on sale of securities	28,374	126,223	154,597
Net unrealized losses	(50,160)	(226,496)	(276,656)
Total investment income	$(14,221)	$(89,162)	$(103,383)
Income distributed			
Cash and accrued interest and dividends	$(7,565)	$(11,111)	$(18,676)
Accumulated realized investment gains	(37,975)	(55,777)	(93,752)
Total income distributed	(45,540)	(66,888)	(112,428)
Endowment net assets, end of year	**$507,759**	**$2,525,149**	**$3,032,908**[1]

(1) *Includes $16.2 million of endowment gifts and other transfers pending investment and other accruals.*

2021	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	**$424,161**	**$1,644,699**	**$2,068,860**
Gifts and other additions	$13	$217,250	$217,263
Investment income			
Interest and dividends	5,836	7,532	13,368
Net realized gains on sale of securities	30,714	119,094	149,808
Net unrealized gains	150,630	592,579	743,209
Total investment income	$187,180	$719,205	$906,385
Income distributed			
Cash and accrued interest and dividends	$(5,836)	$(7,532)	$(13,368)
Accumulated realized investment gains	(38,018)	(49,058)	(87,076)
Total income distributed	$(43,854)	$(56,590)	$(100,444)
Endowment net assets, end of year	**$567,500**	**$2,524,564**	**$3,092,064**[1]

(1) *Includes $3.2 million of endowment gifts and other transfers pending investment and other accruals.*

Unless the donor specifies that only a certain amount of the endowment may be spent, Pennsylvania Act 141 (“Act 141”) allows organizations to choose a total return spending policy strategy, whereby the Board of Trustees may annually elect to spend between 2.0% and 7.0% of the fair market value of the endowment. On July 23, 2020, Pennsylvania 2020 Act 71 (“Act 71”) was signed into law. Act 71 modifies Act 141 in that it permits the university’s Board of Trustees to spend up to 10% during calendar years 2020, 2021 and 2022, or for the corporation’s fiscal years that end during those calendar years. Carnegie Mellon maintains a total return spending policy. Endowment income distributions can consist of dividend and interest income and a withdrawal of accumulated capital gains, when necessary. The main objective of the total return spending policy is to separate spending policy from investment policy. This approach permits asset allocation decisions to be made independently of the need for current income. Carnegie Mellon targets a diversified asset allocation to achieve its long-term objectives with prudent risk constraints. The endowment spending rate is determined annually pursuant to a smoothing formula whereby an approved spending rate percentage is applied to the trailing 36-month average of endowment market values at December 31. For fiscal years 2022 and 2021, the approved spending rate was set at 5.0%. As a result of the spending rate formula, the effective spending rate (defined as the endowment draw totals for the fiscal years 2022 and 2021 divided by the June 30 endowment market values for those fiscal years) was 3.7% for June 30, 2022 and 3.2% for June 30, 2021.

8. FAIR VALUE

ASC Topic 820, *Fair Value Measurement*, establishes a hierarchy to prioritize valuation inputs based on the extent to which the inputs are observable in the marketplace. Observable inputs reflect market data obtained from sources independent of the reporting entity and unobservable inputs reflect the entity's own assumptions about how market participants would value an asset or liability based on the best information available.

The following is a description of the university's valuation methodologies for assets and liabilities measured at fair value:

Level 1

Based upon quoted or published prices in active markets that the university has the ability to access for identical assets and liabilities. Market price data is generally obtained from exchange or dealer markets. The university does not adjust the quoted price for such assets and liabilities, which include active listed equities, mutual funds, government supported obligations and cash equivalents.

Level 2

Based on quoted or published prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active or assets subject to transfer restrictions. Inputs are obtained from various sources including market participants, dealers and brokers.

Level 3

Based on valuation techniques that use significant inputs that are unobservable as they trade infrequently or not at all.

The following tables present the financial instruments carried at fair value as of June 30, 2022 and 2021 by caption in the Consolidated Statements of Financial Position by the valuation hierarchy defined above *(dollars in thousands):*

2022	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Investments				
Cash equivalents [a]	$40,121	$22,679	$ -	$62,800
Equity investments				
U.S. – equity funds and common stocks [a]	476,322	-	9,637	485,959
Mutual funds – international developed	29,709	-	-	29,709
Mutual funds – international emerging	146,932	-	-	146,932
Short-term fixed income	-	297,927	-	297,927
Fixed income funds and securities [a]	470,060	-	-	470,060
	$1,163,144	$320,606	$9,637	$1,493,387
Investments measured under the NAV practical expedient [b]				$2,511,036
Total investments				**$4,004,423**
Assets held in trust by others				
Beneficial interests held by third party	$ -	$ -	$2,806	$2,806
Perpetual trusts held by third party	-	-	8,238	8,238
Total assets held in trust by others	**$ -**	**$ -**	**$11,044**	**$11,044**
Unexpended bond proceeds	$32,306	$ -	$ -	$32,306
Prepaid expenses and other assets				
Deferred compensation plan assets	$17,881	$6,515	$3,526	$27,922
Interest rate swap receivable	-	-	-	-
Total prepaid expenses and other assets	**$17,881**	**$6,515**	**$3,526**	**$27,922**
Total assets at fair value	**$1,213,331**	**$327,121**	**$24,207**	**$4,075,695**
Liabilities				
Interest rate swaps payable	$ -	$14,138	$ -	$14,138
Total liabilities at fair value	**$ -**	**$14,138**	**$ -**	**$14,138**

(a) Presentation as a single class is appropriate based on the nature and risks of these investments.

(b) In accordance with ASC Subtopic 820-10, certain investments that are measured at fair value using the net asset value per share (or its equivalent) practical expedient have not been classified in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the Consolidated Statements of Financial Position. This includes commingled funds of $278.9 million, and hedge and private equity funds of $2,232.1 million as of June 30, 2022.

2021	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Investments				
Cash equivalents [a]	$55,120	$22,667	$ -	$77,787
Equity investments				
U.S. – equity funds and common stocks [a]	525,436	3,962	58,785	588,183
Mutual funds – international developed	20,323	-	-	20,323
Mutual funds – international emerging	158,188	-	-	158,188
Short-term fixed income	-	77,705	-	77,705
Fixed income funds and securities [a]	466,662	-	-	466,662
	$1,225,729	$104,334	$58,785	$1,388,848
Investments measured under the NAV practical expedient [b]				$2,491,927
Total investments				**$3,880,775**
Assets held in trust by others				
Beneficial interests held by third party	$ -	$ -	$2,619	$2,619
Perpetual trusts held by third party	-	-	9,831	9,831
Total assets held in trust by others	**$ -**	**$ -**	**$12,450**	**$12,450**
Unexpended bond proceeds	$25,789	$ -	$ -	$25,789
Prepaid expenses and other assets				
Deferred compensation plan assets	$19,144	$8,047	$3,187	$30,378
Interest rate swap receivable	-	1,631	-	1,631
Total prepaid expenses and other assets	**$19,144**	**$9,678**	**$3,187**	**$32,009**
Total assets at fair value	**$1,270,662**	**$114,012**	**$74,422**	**$3,951,023**
Liabilities				
Interest rate swaps payable	$ -	$29,659	$ -	$29,659
Total liabilities at fair value	**$ -**	**$29,659**	**$ -**	**$29,659**

(a) Presentation as a single class is appropriate based on the nature and risks of these investments.

(b) In accordance with ASC Subtopic 820-10, certain investments that are measured at fair value using the net asset value per share (or its equivalent) practical expedient have not been classified in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the Consolidated Statements of Financial Position. This includes commingled funds of $357.8 million, and hedge and private equity funds of $1,917.4 million as of June 30, 2021.

Deferred compensation plan assets are valued using market quotations or prices obtained from independent pricing services (Level 1), market quotations or prices obtained from independent pricing sources who may employ various pricing methods (Level 2), and at contract value (Level 3), which approximates fair value.

Beneficial remainder and lead trusts held by third parties are valued at the present value of the future distributions expected to be received upon termination of the trust or over the term of the trust agreement and approximate fair value. Perpetual trusts are valued based upon the university's percentage interest in the fair value of the underlying trust assets.

Interest rate swaps are valued using observable inputs, such as quotations received from the counterparty, dealers or brokers, whenever available and considered reliable. The valuation methods described above may produce fair value calculations that may not be indicative of net realizable value or reflective of future fair values.

The following table includes a roll forward of the Consolidated Statements of Financial Position amounts for financial instruments classified by the university within Level 3 of the fair value hierarchy *(dollars in thousands):*

	Deferred Compensation	**Common Stock**	**Trusts Held by Others**	**Total**
Fair value, June 30, 2020	$3,074	$6,932	$10,605	$20,611
Unrealized gains	91	51,344	1,845	53,280
Purchases	204	100	-	304
Transfers in	-	409	-	409
Transfers out	(182)	-	-	(182)
Fair value, June 30, 2021	**$3,187**	**$58,785**	**$12,450**	**$74,422**
Unrealized gains/(losses)	$99	$242	$(1,406)	$(1,065)
Purchases	153	610	-	763
Transfers in	87	-	-	87
Transfers out	-	(50,000)	-	(50,000)
Fair value, June 30, 2022	**$3,526**	**$9,637**	**$11,044**	**$24,207**

During the fiscal year ended June 30, 2021, the university recognized $50.0 million in unrealized gains from the university's investment in Duolingo, Inc., a mobile global learning platform. The university holds this equity investment as a result of a technology license agreement. The unrealized gain reflects the fair value of the university's shares based upon historical data for private offerings of Duolingo's common stock. On July 28, 2021, Duolingo completed an initial public offering (IPO) at a price per share of $102. As a result of the IPO, the investment in Duolingo is no longer within Level 3 of the fair value hierarchy and is considered a Level 1 instrument.

9. LEASE ARRANGEMENTS

The university has operating leases primarily for campus facilities, student housing and office space. Variable lease payments based on an index or rate, such as the consumer price index, are initially measured using the index or rate in effect at lease commencement. The university has elected the short-term lease exception under Topic 842 for all leases and, as such, leases with an initial term of 12 months or less are not recorded on the Consolidated Statements of Financial Position. The university recognizes lease expense for short-term leases on a straight-line basis over the lease term.

The components of lease cost for the fiscal years ended June 30, 2022 and 2021, respectively, included operating lease costs of $21.7 million and $20.8 million and short-term lease costs of $3.7 million and $4.7 million. Cash payments for operating leases were $21.3 million and $19.5 million for the year ended June 30, 2022 and 2021, respectively.

The following table displays the undiscounted cash flows due to operating leases as of June 30, 2022 along with a reconciliation to the discounted amount recorded on the June 30, 2022 Consolidated Statements of Financial Position *(dollars in thousands)*:

As of June 30, 2022	
2023	$14,249
2024	12,040
2025	10,464
2026	7,071
2027	6,443
Thereafter	21,783
Total undiscounted cash flows (weighted average term 8.4 years)	$72,050
Impact of present value discount (weighted average discount rate 1.6%)	(3,803)
Amount reported on Consolidated Statements of Financial Position	**$68,247**

10. LAND, BUILDINGS AND EQUIPMENT

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

	Useful Lives	2022	2021
Buildings	35-50 years	$1,654,513	$1,594,163
Movable equipment	5-20 years	293,560	280,077
Utilities and building-related assets	20 years	123,726	120,015
Land improvements	15 years	19,841	19,841
Software costs	2-10 years	54,698	54,847
Leasehold improvements	2-20 years	37,203	35,075
Subtotal		$2,183,541	$2,104,018
Accumulated depreciation		(1,147,583)	(1,077,577)
Subtotal		$1,035,958	$1,026,441
Land		$56,256	$55,767
Construction and equipment in progress		125,904	80,641
Land, buildings and equipment, net		**$1,218,118**	**$1,162,849**

Carnegie Mellon acquired $13.3 million and $16.7 million in equipment through grants for the years ended June 30, 2022 and 2021, respectively.

11. DEBT OBLIGATIONS

Debt obligations consist of the following as of June 30, 2022 and 2021 *(dollars in thousands):*

	Maturity	Interest %	2022	2021
Allegheny County Higher Education Building Authority Revenue Bonds				
Fixed Rate				
Series 2012 A	03/01/24	2.5-5.0%	$ -	$32,805
Premium, net of debt issuance costs			-	1,491
Series 2013	03/01/43	4.0-5.0%	42,250	42,250
Premium, net of debt issuance costs			2,089	2,430
Series 2017	08/01/29	5.0%	62,165	62,165
Premium, net of debt issuance costs			8,447	9,828
Series 2019 A	08/01/27	5.0%	49,600	49,600
Premium, net of debt issuance costs			6,309	7,531
Series 2020 A	02/01/30	5.0%	45,565	45,565
Premium, net of debt issuance costs			11,352	12,849
Series 2022 B	08/01/27	5.0%	27,240	-
Premium, net of debt issuance costs			5,139	-
Series 2022 C	02/01/32	5.0%	25,000	-
Premium, net of debt issuance costs			7,008	-
Variable Rate				
Series 2008 A	12/01/37	0.16%	120,820	120,820
Debt issuance costs			(257)	(274)
Series 2012 B	02/01/33	0.53%	-	50,000
Debt issuance costs			-	(87)
Series 2019 B	02/01/42	0.57%	60,140	60,140
Debt issuance costs			(119)	(126)
Series 2022 A	02/01/33	0.59%	50,230	-
Debt issuance costs			(210)	-
Taxable Series 2022	02/01/52	3.2%	75,000	-
Debt issuance costs			(230)	-
Collaborative Innovation Center Tax Increment Financing	11/01/22	8.5%	285	685
Collaborative Innovation Center Mortgage Obligation	03/01/25	6.78%	10,490	11,500
Taxable Senior Notes	02/01/47	3.6%	70,000	70,000
Taxable Senior Notes	02/01/50	3.2%	70,000	70,000
Taxable Commercial Paper	Rolling, up to 270 days	0.46%	10,000	10,000
Total debt obligations			**$758,313**	**$659,172**

The university borrows its tax-exempt debt through public conduit issuers. As of June 30, 2022, all of Carnegie Mellon's tax-exempt debt was issued by the Allegheny County Higher Education Building Authority (ACHEBA). The debt is a general unsecured obligation of the university. Although ACHEBA is the issuer, the university is responsible for the debt service of these bonds.

On September 30, 2014, Carnegie Mellon acquired the Collaborative Innovation Center (CIC) from the Regional Industrial Asset District (RIDC) when Carnegie Mellon and RIDC agreed to terminate the long-term ground lease for the land on which the CIC building was built. The CIC building was originally built and owned by RIDC on land owned and leased by Carnegie Mellon to RIDC pursuant to a long-term ground lease. Prior to the termination of the ground lease, the CIC was recorded as a capital lease by Carnegie Mellon.

As part of the agreement to terminate the ground lease, Carnegie Mellon assumed a $16.8 million mortgage note. The mortgage note requires monthly principal and interest payments, bears interest at a fixed rate of 6.78% and matures on March 1, 2025. The mortgage note is secured by the CIC building (carrying value of $22.6 million), the land where CIC is located and rents derived from the operation of CIC.

Carnegie Mellon also assumed the sole responsibility to make semi-annual payments of any shortfall between the amount of real estate and parking taxes collected and pledged under a Tax Increment Financing (TIF) agreement, and the debt service and annual cost of the TIF. Carnegie Mellon is obligated to timely fund that shortfall until the TIF is satisfied in full on November 1, 2022. The balance of the outstanding TIF note was $0.3 million and $0.7 million at June 30, 2022 and 2021, respectively. The TIF note bears interest at a rate of 8.5% through maturity.

In January 2022, Series 2022 A bonds were issued by ACHEBA in the amount of $50.2 million, and Series 2022 B bonds were issued by ACHEBA in the amount of $27.2 million, including an original issue premium of $5.7 million. The Series 2022 A bonds bear interest at a rate indexed to the Secured Overnight Financing Rate (SOFR) and mature on February 1, 2033 with a Special Mandatory Tender Date of August 1, 2027. The Series 2022 B bonds bear interest at a fixed rate of 5.0% and mature on August 1, 2027. Proceeds from the issuance of the Series 2022 A bonds were used to refund the outstanding Series B of 2012 bonds. Proceeds from the issuance of the Series 2022 B bonds were used to refund the outstanding Series A of 2012 bonds.

In January 2022, Taxable Bonds, Series of 2022 were issued in the amount of $75.0 million bearing interest at a fixed rate of 3.2%. The proceeds of the bonds will be used to finance a portion of the costs of constructing the Richard King Mellon Science Building, Robotics Innovation Center and the CMU Cloud Lab.

In February 2022, Series 2022 C bonds were issued by ACHEBA in the amount of $25.0 million bearing interest at a fixed rate of 5.0% and maturing on February 1, 2032. The bonds include an original issue premium of $7.4 million. Proceeds of the bonds are being used to finance a portion of the costs to construct the Richard King Mellon Science Building.

The university maintains a taxable commercial paper program that allows the university to issue in aggregate up to $70.0 million in commercial paper notes. Proceeds of the notes may be used to refund outstanding debt, finance capital projects, support operations and for any other lawful activity of the university. The notes are sold at a discount to par. The maturities of individual notes cannot exceed 270 days. The university issued $10.0 million in notes during fiscal year 2022 that are outstanding at June 30, 2022.

The university has a $50.0 million unsecured line of credit agreement that expires October 19, 2023. No advances were outstanding at June 30, 2022. Advances accrue at a rate based on SOFR.

Interest Expense

Cash paid for interest on debt obligations for the fiscal years ended June 30, 2022 and 2021 totaled $17.8 million and $18.3 million, respectively. The university utilizes interest rate swaps to synthetically adjust its exposure to variable rates. Including the swap expense, cash paid for interest for the fiscal years ended June 30, 2022 and 2021 was $22.1 million and $22.6 million, respectively. For the fiscal years ended June 30, 2022 and 2021, interest costs of $0.5 million and $0.8 million were capitalized related to construction in progress.

Aggregate Maturities

Aggregate maturities of bonds and other debt instruments, for each of the next five years ending June 30, are as follows *(dollars in thousands):*

2023	$1,365
2024	1,156
2025	8,254
2026	-
2027	5,125
Thereafter	692,885
Total	**$708,785**

Debt obligations are reflected in the table above based on stated final maturity dates. The outstanding Series 2008 A bonds are variable rate demand bonds that are subject to daily optional tender by the bondholders. In the event that a bondholder tenders these variable rate demand bonds, the purchase price will be repaid from the remarketing of the bonds to a new investor. However, in the event that none of the bonds could be remarketed, Carnegie Mellon has entered into a Standby Bond Purchase Agreement (SBPA) with a financial institution that will purchase the Series 2008 A Bonds at the amount of the bonds outstanding plus related interest. The bonds would then become bank bonds, payable to the liquidity provider per the terms of the agreement. This SBPA was renewed in January 2021 for a three-year term ending January 12, 2024.

12. NET ASSETS

Net assets consist of gifts and other unexpended revenues and gains and are available for the following purposes supporting the university's educational and research mission as of June 30, 2022 *(dollars in thousands):*

2022	Without Donor Restrictions	With Donor Restrictions	Total
Board-designated endowment funds	$507,759	$ -	$507,759
Reserves for working capital and plant – long-term	536,297	-	536,297
Donor-restricted endowment funds	-	1,304,343	1,304,343
Unexpended endowment gains	-	1,220,806	1,220,806
Capital and other designations	1,093,931	316,697	1,410,628
Pledges and assets held in trust by others	-	250,026	250,026
Split interest agreements and other donor designations	-	9,420	9,420
Term endowments	-	9,321	9,321
Loan funds	2,477	2,419	4,896
Total net assets	**$2,140,464**	**$3,113,032**	**$5,253,496**

Net assets consist of gifts and other unexpended revenues and gains and are available for the following purposes supporting the university's educational and research mission as of June 30, 2021 *(dollars in thousands):*

2021	Without Donor Restrictions	With Donor Restrictions	Total
Board-designated endowment funds	$567,500	$ -	$567,500
Reserves for working capital and plant – long-term	551,385	-	551,385
Donor-restricted endowment funds	-	1,147,708	1,147,708
Unexpended endowment gains	-	1,376,856	1,376,856
Capital and other designations	937,048	217,692	1,154,740
Pledges and assets held in trust by others	-	293,124	293,124
Split interest agreements and other donor designations	-	14,919	14,919
Term endowments	-	7,670	7,670
Loan funds	2,473	2,196	4,669
Total net assets	**$2,058,406**	**$3,060,165**	**$5,118,571**

13. DERIVATIVE INSTRUMENTS AND HEDGING ACTIVITIES

Carnegie Mellon has entered into the following interest rate swap agreements to adjust the exposure to variable interest rates on long-term debt *(dollars in thousands):*

Swap Agreement	Effective Date	Notional Amount	Rate Paid by CMU	Interest Received	Term (in years)	Termination Date	Cancellation Option
Apr 2006	Dec 2006	$100,000	3.4 %	67% of 1M LIBOR	22	Dec 2028	Dec 2016
May 2007	Jun 2007	$ 5,125	3.8 %	67% of 1M LIBOR	20	Mar 2027	N/A
May 2007	Mar 2012	$ 40,325	3.8 %	67% of 1M LIBOR	20	Mar 2032	N/A
Feb 2012	Mar 2012	$ 38,000	SIFMA	1.92%	12	Mar 2024	N/A

The following fair values of the swap agreements were recorded as accounts payable and other liabilities and other assets in the Consolidated Statements of Financial Position as of June 30, 2022 and 2021 *(dollars in thousands):*

	Derivatives Reported as Assets/(Liabilities)	
Date of Swap Agreement	**2022**	**2021**
Apr 2006	$(8,508)	$(19,003)
May 2007	(407)	(890)
May 2007	(4,972)	(9,766)
Feb 2012	(251)	1,631
Total	**$(14,138)**	**$(28,028)**

The fair value of these agreements is estimated to be an amount that Carnegie Mellon would receive (receivable) or pay (liability) to voluntarily terminate the agreement. Based upon the university's credit rating, the university is required to post collateral equal to the amount by which the liability value exceeds $30.0 million for each of its counterparties. No collateral was required as of June 30, 2022 and June 30, 2021.

The following interest expense and fair value gains/losses were recorded as other sources under nonoperating activities in the Consolidated Statements of Activities for the years ended June 30, 2022 and 2021 *(dollars in thousands):*

Date of Swap Agreement	Interest (Expense) Income		Fair Value (Loss) Gain		Total (Loss) Gain	
Interest rate swaps:	**2022**	**2021**	**2022**	**2021**	**2022**	**2021**
Apr 2006	(3,243)	(3,337)	10,495	6,257	7,252	2,920
May 2007	(184)	(189)	483	288	299	99
May 2007	(1,447)	(1,484)	4,794	2,881	3,347	1,397
Feb 2012	641	698	(1,882)	(751)	(1,241)	(53)
Total	**$(4,233)**	**$(4,312)**	**$13,890**	**$8,675**	**$9,657**	**$4,363**

Carnegie Mellon utilizes energy forward contracts, which are physically settled, to hedge against the future changes in the cost of electricity and natural gas. These contracts limit Carnegie Mellon's exposure to higher rates; however, they could also limit the benefit of decreases in rates. These contracts qualify for normal purchases and sales exemptions and are not required to be recognized on the statements of financial position at fair value because Carnegie Mellon takes physical delivery of the electricity and natural gas and the gains and losses are already recognized in the cost.

14. EXPENSES BY FUNCTIONAL CATEGORY

Operating expenses by functional category for the year ended June 30, 2022 are as follows *(dollars in thousands):*

2022	Instruction & Dpt Research	Sponsored Research	SEI/ARM Activities	Admin & Instl Support	Academic Support	Student Services	Auxiliary	Total
Salaries	$320,817	$156,897	$83,651	$83,981	$76,687	$30,949	$2,454	$755,436
Benefits	67,818	19,682	20,251	24,340	21,810	8,233	657	162,791
Other Operating Expenses	71,795	68,771	34,610	49,746	52,320	16,439	39,813	333,494
Depreciation and Amortization	29,558	14,498	5,519	5,162	9,952	7,923	9,355	81,967
Interest	3,665	1,798	684	640	1,235	982	4,513	13,517
Total	**$493,653**	**$261,646**	**$144,715**	**$163,869**	**$162,004**	**$64,526**	**$56,792**	**$1,347,205**

Operating expenses by functional category for the year ended June 30, 2021 are as follows *(dollars in thousands):*

2021	Instruction & Dpt Research	Sponsored Research	SEI/ARM Activities	Admin & Instl Support	Academic Support	Student Services	Auxiliary	Total
Salaries	$302,049	$154,532	$81,105	$76,052	$69,176	$28,334	$2,280	$713,528
Benefits	66,161	19,903	20,988	26,965	20,593	8,141	664	163,415
Other Operating Expenses	50,435	55,230	35,735	31,992	51,554	10,770	25,657	261,373
Depreciation and Amortization	28,443	14,462	5,694	5,137	10,302	8,187	7,940	80,165
Interest	3,534	1,797	707	638	1,280	1,017	3,154	12,127
Total	**$450,622**	**$245,924**	**$144,229**	**$140,784**	**$152,905**	**$56,449**	**$39,695**	**$1,230,608**

Natural expenses attributable to more than one functional expense category are allocated using a variety of cost allocations such as square footage, time and effort.

Total fundraising expense of $28.7 million and $27.6 million ($25.6 million and $24.7 million in administration and institutional support) is included above for the years ended June 30, 2022 and 2021, respectively.

15. COMMITMENTS AND CONTINGENCIES

Carnegie Mellon is a defendant in a number of legal actions seeking damages and other relief. While the final outcome of each action cannot be determined at this time, management records a reserve in operating activities for those cases in which the loss is both probable and estimable. For the other legal actions that are not reserved, legal counsel and management are of the opinion that the liability, if any, will not have a material effect on Carnegie Mellon's consolidated financial statements.

Carnegie Mellon receives significant financial assistance from the federal government, including the sponsorship of federal research projects. Research grants and contracts normally provide for the recovery of direct and indirect costs. Entitlement to the recovery of the applicable direct and related indirect costs is generally conditional upon compliance with the terms and conditions of the grant agreements and applicable federal regulations, including the expenditure of the resources for eligible purposes. Substantially all grants and Carnegie Mellon's indirect cost rate are subject to financial and compliance reviews and audits by the grantors. In management's opinion, the likelihood of an adverse material outcome upon its financial position from those reviews and audits is remote.

Alternative investment partnership commitments totaled $702.3 million at June 30, 2022. These funds may be drawn down at the request of the general partners over the course of the next several years. Carnegie Mellon expects to finance these commitments through available cash and expected proceeds from the sales of securities.

At June 30, 2022 and 2021, Carnegie Mellon had contractual obligations of approximately $119.8 million and $82.5 million, respectively, in connection with major construction projects.

16. RETIREMENT PLANS AND OTHER POST-EMPLOYMENT BENEFITS

Carnegie Mellon sponsors two defined contribution retirement plans for eligible faculty and staff, healthcare plans for retirees and participates in a multi-employer pension fund for union staff. Retirement plan expense for the years ended June 30, 2022 and 2021 totaled $41.6 million and $41.9 million, respectively. Carnegie Mellon contributed $0.9 million to the Central Pension Fund of the International Union of Operating Engineers, a multi-employer plan in fiscal years 2022 and 2021, respectively. See below for a discussion of the assets held in trust to fund post-retirement health care and other post-employment benefits.

Carnegie Mellon provides certain health care benefits for eligible retired employees. The liability for post-retirement benefit obligations is recorded in the Consolidated Statements of Financial Position in accounts payable and other liabilities.

Net periodic benefit costs recognized in the Consolidated Statements of Activities totaled $1.8 million and $1.7 million for the years ended June 30, 2022 and 2021, respectively. Other gains/(losses) in benefit obligations recognized in non-operating activities totaled ($7.1 million) and ($0.2 million) for the years ended June 30, 2022 and 2021, respectively. Cumulative net actuarial gains of $17.9 million and $10.8 million have been recognized as of June 30, 2022 and 2021, respectively.

During fiscal year 2022, amortization of $1.1 million actuarial gain is expected to be recognized as components of net periodic benefit cost. The discount rate used in determining the net periodic benefit cost was 3.1% for the years ended June 30, 2022 and 2021, respectively.

The reconciliation of the accumulated benefit obligation and funded status at June 30, 2022 is as follows *(dollars in thousands):*

	2022	2021
Benefit obligation, beginning of year	**$25,879**	**$24,734**
Service cost	1,531	1,486
Interest cost	843	807
Assumption changes and actuarial gain/(loss)	(7,663)	(747)
Benefit payments	(439)	(401)
Benefit obligation, end of year	**$20,151**	**$25,879**
Fair value of plans' assets	-	-
Funded status	**$20,151**	**$25,879**

The assumed discount rate used for calculating the benefit obligation for the fiscal years ended June 30, 2022 and 2021 was 4.9% and 3.1%, respectively. An annual rate of increase in the per capita cost of covered health care benefits for the fiscal years ended June 30, 2022 and 2021 of 7.0% and 6.25%, respectively, was assumed. For the fiscal years ended June 30, 2022 and 2021, the rate was assumed to decrease gradually to 5.25% by 2026 and remain at 5.0% thereafter.

Expected benefits to be paid in future fiscal years are as follows *(dollars in thousands):*

June 30	Retiree Contributions	Employer Payments	Total Expected Benefit Payments
2022	$678	$397	$1,075
2023	1,013	565	1,578
2024	1,333	736	2,069
2025	1,633	884	2,517
2026	1,900	996	2,896
2027–2031	12,760	5,928	18,688

In conjunction with an agreement made with the federal government, Carnegie Mellon has established a separate trust, which is available to general creditors only in the event of insolvency. Assets in the trust to fund post-retirement health care and other post-employment benefits are $22.7 million as of June 30, 2022 and 2021. These assets are reflected as investments in the accompanying Consolidated Statements of Financial Position.

17. RELATED PARTY TRANSACTIONS

Sponsored projects revenue for fiscal years 2022 and 2021 includes $3.7 million and $3.0 million respectively, received from MPC, a nonprofit related entity of Carnegie Mellon and the University of Pittsburgh. The revenue primarily represents federal funding from various contracts received by MPC, for which MPC has subcontracted to Carnegie Mellon for support of a supercomputer and related activities.

Carnegie Mellon is an owner as a tenant in common of the Bellefield Boiler Plant ("Bellefield") for the purpose of sharing of the steam produced by the plant. Bellefield operates such that all of the operating costs of the plant are passed to the owners in the form of steam prices. Carnegie Mellon is obligated for a percent of liabilities based upon use of steam produced by Bellefield. As of June 30, 2022 and 2021, Carnegie Mellon's percentage obligation was 15.2%. Included in other assets is $0.6 million and $1.0 million of advances resulting primarily from operating surpluses at June 30, 2022 and 2021, respectively. Included in occupancy and related expenses is $3.9 million and $4.0 million for steam costs paid to Bellefield for the years ended June 30, 2022 and 2021, respectively.

Carnegie Mellon is one of 15 designated institutions of higher learning and other charitable organizations named as beneficiaries of The Dietrich Foundation (the "Foundation") created by William S. Dietrich II pursuant to an Amended and Restated Declaration of Trust dated August 23, 2011. The Foundation came into existence as a Pennsylvania charitable trust on October 6, 2011 and was granted exemption from federal income tax under section 501(c)(3) of the Internal Revenue Code, specifically as a Type I charitable supporting organization under section 509(a)(3). The Foundation's primary mission is to provide ongoing and increasing financial support to a number of educational institutions, largely in the greater Pittsburgh area, including Carnegie Mellon. The Foundation is governed by a board of nine trustees of which two are appointed by Carnegie Mellon.

The Foundation is expected to make annual distributions that will be allocated among the pre-specified supported organizations. As of June 30, 2022, Carnegie Mellon's distribution share remained at 53.5%.

The distributions to Carnegie Mellon have been recorded as contribution revenue with donor restrictions as received and held in endowment net assets with donor restrictions designated as Dietrich Foundation Endowment Funds. The endowed funds will be managed in accordance with Carnegie Mellon's generally applicable investment and disbursement policies in effect for its other permanently restricted endowments. Distributions made from the endowed funds will be used for the purposes authorized by the Foundation's Trustees. Distributions of $22.8 million and $17.3 million were received in fiscal years 2022 and 2021, respectively.

18. GUARANTEES

In the ordinary course of business, Carnegie Mellon engages in transactions with third parties involving the provision of goods and/or services. The contracts for these transactions may require Carnegie Mellon to indemnify the third party or others under certain circumstances. The terms of indemnity vary from contract to contract. The amount of the liability associated with such indemnification obligations, if any, is not expected to be material.

Carnegie Mellon has contractually agreed to indemnify its trustees and officers, and in some cases its employees and agents, against certain liabilities incurred as a result of their service on behalf of or at the request of Carnegie Mellon and also advances, on behalf of those indemnified, the costs incurred by them in defending certain claims. Carnegie Mellon carries insurance that limits its exposure for this indemnification obligation. The amount of the liability associated with any known pending or threatened claims covered by this indemnification obligation, if any, is not expected to be material.

Carnegie Mellon has contractually agreed to indemnify specified parties in connection with bond offerings in which it has been involved. The indemnification obligation covers losses, claims, damages, liabilities and other expenses incurred by the underwriters as a result of any untrue statements or material omissions made by Carnegie Mellon in connection with the bond offerings. The amount of the liability associated with any known pending or threatened claims covered by this indemnification obligation, if any, is not expected to be material.

19. COVID-19 PANDEMIC

In March 2020, the World Health Organization declared the novel coronavirus ("COVID-19") a pandemic. During fiscal 2021, the university operated under a modified campus posture, utilizing a hybrid education model, de-densified residence and dining facilities, and on-campus core campus-based activities. Beginning July 1, 2021, the university is operating under a transitional campus posture, with instruction predominately in person, increased residence and dining facility density, and the transition of other campus-based activities to on campus with flexible arrangements. The university provided emergency financial aid to students under the Coronavirus Aid, Relief and Economic Security Act (CARES Act) totaling $9.9 million and $2.9 million during the years ended June 30, 2022 and 2021, respectively. The university recognized revenue from federal and other governmental funding related to the COVID-19 pandemic totaling $12.2 million and $7.3 million during the years ended June 30, 2022 and 2021, respectively, which is included in other revenue sources on the Consolidated Statement of Activities. While future impacts of the COVID-19 pandemic cannot be quantified at this time, the university continues to monitor legislative developments, future relief funding opportunities and directives from federal, state and local governments and, if necessary, is prepared to take additional measures to ensure the health and welfare of the university.

20. SUBSEQUENT EVENTS

The university has performed an evaluation of subsequent events through October 13, 2022, the date on which the consolidated financial statements were issued.

2021-2022 BOARD OF TRUSTEES

OFFICERS OF THE CORPORATION

EX OFFICIO TRUSTEES

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