

# **William Marsh Rice University**

**Report on Federal Awards in Accordance with the  
Uniform Guidance**

**June 30, 2022**

**EIN: 74-1109620**

# William Marsh Rice University

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June 30, 2022

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**Part I**  
**Financial**



## **Report of Independent Auditors**

To the Board of Trustees of William Marsh Rice University

### **Report on the Audit of the Consolidated Financial Statements**

#### ***Opinion***

We have audited the accompanying consolidated financial statements of William Marsh Rice University and its subsidiaries (the "University"), which comprise the consolidated statements of financial position as of June 30, 2022 and 2021, and the related consolidated statement of activities for the year ended June 30, 2022 and the consolidated statements of cash flows for the years ended June 30, 2022 and 2021, including the related notes (collectively referred to as the "consolidated financial statements").

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

#### ***Basis for Opinion***

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

#### ***Other Matter***

We previously audited the consolidated statement of financial position as of June 30, 2021, and the related consolidated statements of activities and of cash flows for the year then ended (the consolidated statement of activities is not presented herein), and in our report dated October 29, 2021, we expressed an unmodified opinion on those consolidated financial statements. In our opinion, the information set forth in the accompanying summarized financial information as of June 30, 2021 and for the year then ended is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

#### ***Responsibilities of Management for the Consolidated Financial Statements***

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



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

### ***Supplemental Information***

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The accompanying schedule of expenditures of federal awards for the year ended June 30, 2022 and the schedule of financial responsibility data as of and for the year ended June 30, 2022 are presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and the Department of Education, respectively, and are not a required part of the consolidated financial statements. Such information is the responsibility of management and was



derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures, in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards and the schedule of financial responsibility data are fairly stated, in all material respects, in relation to the consolidated financial statements taken as a whole.

#### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated October 31, 2022, except with respect to Note 17 to the consolidated financial statements and the opinion on the schedule of financial responsibility data, as to which the date is March 31, 2023, on our consideration of the University's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters for the year ended June 30, 2022. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the University's internal control over financial reporting and compliance.

*PricewaterhouseCoopers LLP*

October 31, 2022, except with respect to Note 17 to the consolidated financial statements and the opinion on the supplemental schedule of financial responsibility data, as to which the date is March 31, 2023

**William Marsh Rice University**  
**Consolidated Statements of Financial Position**  
**June 30, 2022 and 2021**

(in thousands of dollars)

|  | 2022                 | 2021                 |
|--|----------------------|----------------------|
| <b>Assets</b>                                  |                      |                      |
| Cash and cash equivalents                      | \$ 34,999            | \$ 23,162            |
| Accounts receivable and other assets, net      | 85,686               | 63,213               |
| Pledges receivable, net                        | 197,325              | 177,181              |
| Investments                                    | 8,423,703            | 8,729,193            |
| Property and equipment, net                    | 1,426,147            | 1,381,836            |
| Total assets                                   | <u>\$ 10,167,860</u> | <u>\$ 10,374,585</u> |
| <b>Liabilities</b>                             |                      |                      |
| Accounts payable and other liabilities         | \$ 136,015           | \$ 153,698           |
| Notes and bonds payable                        | 1,144,670            | 1,140,329            |
| Actuarial liability for life income agreements | 131,195              | 154,680              |
| Government refundable advances                 | 1,546                | 2,243                |
| Total liabilities                              | <u>1,413,426</u>     | <u>1,450,950</u>     |
| <b>Net assets</b>                              |                      |                      |
| Without donor restrictions                     | 3,953,918            | 4,021,845            |
| With donor restrictions                        | 4,800,516            | 4,901,790            |
| Total net assets                               | <u>8,754,434</u>     | <u>8,923,635</u>     |
| Total liabilities and net assets               | <u>\$ 10,167,860</u> | <u>\$ 10,374,585</u> |

|  | Without<br>Donor<br>Restrictions | With<br>Donor<br>Restrictions | 2022                | 2021                |
|--|----------------------------------|-------------------------------|---------------------|---------------------|
| <b>Net Assets</b>                                    |                                  |                               |                     |                     |
| Internally designated                                | \$ 253,175                       | \$ -                          | \$ 253,175          | \$ 214,647          |
| Restricted by donor                                  | -                                | 237,467                       | 237,467             | 240,695             |
| Net investment in plant                              | 325,486                          | -                             | 325,486             | 317,760             |
| Endowment and designated<br>for long-term investment | 3,325,884                        | 4,519,057                     | 7,844,941           | 8,080,292           |
| Life-income trusts                                   | -                                | 40,943                        | 40,943              | 48,665              |
| Student loans and other assets                       | 49,373                           | 3,049                         | 52,422              | 21,576              |
| Total net assets                                     | <u>\$ 3,953,918</u>              | <u>\$ 4,800,516</u>           | <u>\$ 8,754,434</u> | <u>\$ 8,923,635</u> |

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

**William Marsh Rice University**  
**Consolidated Statements of Activities**  
**For the Year Ended June 30, 2022**  
**With Summarized Financial Information for the Year Ended June 30, 2021**

|  | 2022                       |                         |              | 2021         |
|--|----------------------------|-------------------------|--------------|--------------|
|  | Without Donor Restrictions | With Donor Restrictions | Total        | Total        |
| <i>(in thousands of dollars)</i>                       |                            |                         |              |              |
| <b>Operating revenues</b>                              |                            |                         |              |              |
| Allocation of endowment spending                       | \$ 335,108                 | \$ -                    | \$ 335,108   | \$ 315,413   |
| Other investment income                                | 522                        | 1,621                   | 2,143        | 3,043        |
| Student tuition and fees                               | 244,250                    | -                       | 244,250      | 221,252      |
| Grants and contracts                                   | 167,884                    | -                       | 167,884      | 166,595      |
| Gifts and pledges                                      | 7,203                      | 23,552                  | 30,755       | 58,705       |
| Gifts and trusts released from restrictions            | 65,880                     | (65,880)                | -            | -            |
| Auxiliary enterprises                                  | 42,946                     | -                       | 42,946       | 16,114       |
| Other revenues   | 38,164                     | 1,464                   | 39,628       | 23,018       |
| Total operating revenues                               | 901,957                    | (39,243)                | 862,714      | 804,140      |
| <b>Operating expenses</b>                              |                            |                         |              |              |
| Salaries and wages                                     | 382,699                    | -                       | 382,699      | 357,529      |
| Benefits   | 96,085                     | -                       | 96,085       | 84,671       |
| Scholarships   | 50,564                     | -                       | 50,564       | 51,860       |
| Depreciation and amortization                          | 73,899                     | -                       | 73,899       | 73,218       |
| Interest and bond costs                                | 39,130                     | -                       | 39,130       | 39,151       |
| Utilities and rent                                     | 17,355                     | -                       | 17,355       | 8,767        |
| Other operating expenses                               | 176,003                    | -                       | 176,003      | 206,406      |
| Total operating expenses                               | 835,735                    | -                       | 835,735      | 821,602      |
| Net operating income (loss)                            | 66,222                     | (39,243)                | 26,979       | (17,462)     |
| <b>Nonoperating changes</b>                            |                            |                         |              |              |
| Gifts, grants, and pledges for property and endowment  | 8,744                      | 119,762                 | 128,506      | 67,318       |
| Investment returns                                     | 8,485                      | (16,939)                | (8,454)      | 2,195,641    |
| Allocation of endowment spending to operations         | (156,779)                  | (178,329)               | (335,108)    | (315,413)    |
| Net assets released from restrictions                  | 3,026                      | (3,026)                 | -            | -            |
| Change in liabilities due under life-income agreements |                            | 16,501                  | 16,501       | (28,965)     |
| Other nonoperating changes, net                        | 2,375                      |                         | 2,375        | (2,237)      |
| Net nonoperating changes                               | (134,149)                  | (62,031)                | (196,180)    | 1,916,344    |
| Total (decrease) increase in net assets                | (67,927)                   | (101,274)               | (169,201)    | 1,898,882    |
| <b>Net assets</b>                                      |                            |                         |              |              |
| Beginning of year                                      | 4,021,845                  | 4,901,790               | 8,923,635    | 7,024,753    |
| End of year  | \$ 3,953,918               | \$ 4,800,516            | \$ 8,754,434 | \$ 8,923,635 |

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



**William Marsh Rice University**  
**Consolidated Statements of Cash Flows**  
**For the Years Ended June 30, 2022 and 2021**

| <i>(in thousands of dollars)</i>  | <b>2022</b>      | <b>2021</b>      |
|---|------------------|------------------|
| <b>Cash flows from operating activities</b>   |                  |                  |
| Total (decrease) increase in net assets   | \$ (169,201)     | \$ 1,898,882     |
| Adjustments to reconcile changes in net assets to net cash used in operating activities |                  |                  |
| Depreciation of property and equipment  | 73,899           | 73,218           |
| Loss on disposal of property and equipment  | 86               | 763              |
| Net realized and unrealized investment loss (gain)                                      | 91,428           | (2,176,820)      |
| Contributions restricted for long term purposes and noncash contributions               | (93,591)         | (55,592)         |
| Change in fair value of commodity swap agreements                                       | (678)            | 234              |
| Actuarial change and income restricted for life-income agreements                       | (15,681)         | 24,869           |
| Change in   |                  |                  |
| Accounts receivable and other assets  | (23,902)         | (5,043)          |
| Pledges receivable  | (20,144)         | 13,346           |
| Accounts payable and other liabilities  | (15,907)         | 16,792           |
| Net cash used in operating activities   | <u>(173,691)</u> | <u>(209,351)</u> |
| <b>Cash flows from investing activities</b>   |                  |                  |
| Proceeds from sales and maturities of investments                                       | 1,397,650        | 1,250,026        |
| Purchases of investments  | (1,177,231)      | (1,024,109)      |
| Purchases of property and equipment   | (118,296)        | (83,519)         |
| Net cash provided by investing activities   | <u>102,123</u>   | <u>142,398</u>   |
| <b>Cash flows from financing activities</b>   |                  |                  |
| Contributions restricted for endowment  | 65,955           | 34,069           |
| Contributions restricted for property   | 26,911           | 21,173           |
| Contributions restricted for trusts and other   | 725              | 350              |
| Changes in life income agreements from income and payments to beneficiaries             | (13,639)         | (1,648)          |
| Proceeds from issuance of tax-exempt commercial paper                                   | 12,880           | 11,300           |
| Payment of outstanding tax-exempt commercial paper                                      | (8,730)          | (5,665)          |
| Decrease in government refundable advances  | (697)            | (975)            |
| Net cash provided by financing activities   | <u>83,405</u>    | <u>58,604</u>    |
| Net increase (decrease) in cash and cash equivalents                                    | 11,837           | (8,349)          |
| <b>Cash and cash equivalents</b>  |                  |                  |
| Beginning of year   | <u>23,162</u>    | <u>31,511</u>    |
| End of year   | <u>\$ 34,999</u> | <u>\$ 23,162</u> |
| <b>Supplemental data</b>  |                  |                  |
| Interest paid in cash   | \$ 39,123        | \$ 39,123        |
| Construction in progress payments included in accounts payable                          | 1,167            | 2,503            |

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

# William Marsh Rice University

## Notes to Consolidated Financial Statements

### June 30, 2022 and 2021

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*(all dollar amounts in thousands)*

#### 1. **Basis of Presentation and Summary of Significant Accounting Policies**

##### **Basis of Presentation**

William Marsh Rice University (the “University”) is a Texas not-for-profit corporation that operates a private research university in Houston, Texas. The consolidated financial statements of the University have been prepared on the accrual basis of accounting, in accordance with accounting principles generally accepted in the United States of America and with the provisions of the Financial Accounting Standards Board (“FASB”) Accounting Standards Codification (ASC) 958, Not-for-Profit Entities, which requires the University to classify its net assets into two categories according to donor-imposed restrictions: net assets without donor-imposed restrictions and net assets with donor-imposed restrictions.

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 accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with the University’s financial statements for the year ended June 30, 2021, from which the summarized information was derived.

The consolidated financial statements of the University include the accounts of all academic and administrative departments of the University and affiliated organizations that are controlled by the University. All material transactions between the University and its subsidiaries have been eliminated.

During fiscal 2021, the University and the Robert A. Welch Foundation (the “Welch Foundation”) established The Welch Institute (the “Institute”) as a strategic partnership to focus on world-leading advanced materials research. The Institute is organized and operated as a charitable organization within the meaning of Section 501(c)(3) of the Internal Revenue Code of 1986 and is operated exclusively for the benefit of, to perform the function of, or to carry out the purposes of the University. The Welch Foundation has made a conditional gift of up to \$100 million, payable over ten years, to support the operations of the Institute. The employees of the Institute are Rice employees and the Institute follows university policies and procedures. The University manages the daily operations of the Institute but does not have a controlling financial interest in the Institute. The accounts and operations of the Institute as of and for the years ended June 30, 2022 and 2021, were not material to the University.

##### **Net Assets Without and With Donor Restrictions**

Net assets without donor restrictions are those net assets of a not-for-profit entity that are not subject to donor-imposed restrictions. A donor-imposed restriction is a donor stipulation that specifies a use for a contributed asset that is more specific in purpose or time than broad limits resulting from the following: a) the nature of the not-for-profit entity; b) the environment in which it operates; and c) the purposes specified in its articles of incorporation or bylaws or comparable documents.

The classification of net assets without donor restrictions includes all revenues, gains and expenses not restricted by donors. The University reports all expenditures in this class of net assets, since the use of restricted contributions in accordance with donors’ stipulations results in the release of the restriction.

# William Marsh Rice University

## Notes to Consolidated Financial Statements

### June 30, 2022 and 2021

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*(all dollar amounts in thousands)*

Those net assets of a not-for-profit entity that are subject to donor-imposed restrictions include contributions for which donor-imposed restrictions have not been met (primarily future capital projects; endowment appreciation; life income trusts; and pledges receivable).

#### **Measure of Operations**

The University's measure of operations as presented in the consolidated statements of activities includes the allocation of endowment spending for operations, revenue from tuition and fees (net of financial aid), grants and contracts, donor contributions for operating programs, revenue from auxiliary operations, and other revenues. Operating expenses are reported on the consolidated statements of activities by natural classification. The University's nonoperating activity within the consolidated statements of activities includes: investment returns, net of taxes and other activities related to endowment management; changes in the liability for life-income agreements; contributions related to land, buildings and equipment; and gains or losses on derivatives.

#### **Contributions**

Contributions, including unconditional promises to give and irrevocable trusts held by others under which the University is the beneficiary, are recognized as revenues in the period received or promised. Contributions restricted for the acquisition of land, buildings and equipment are reported as donor-restricted revenues. These contributions are reclassified to net assets without restriction when the assets are placed in service. Promises to give that are subject to donor-imposed stipulations that the corpus be maintained in perpetuity are recognized as increases in net assets with donor restrictions.

It is the University's practice to sell marketable securities received as donations upon receipt. In the Consolidated Statements of Cash Flows, the University classifies cash receipts from the sale of donated marketable securities in a manner that is consistent with cash donations received if the donated marketable securities are converted into cash on receipt or shortly thereafter.

Conditional promises to give are not recognized until the conditions on which they depend are met. Contributions of assets other than cash are reported at their estimated fair value at the date of gift. Contributions scheduled to be received after one year are discounted using a market rate (Note 3). Amortization of the discount is recorded as contribution revenue.

#### **Cash and Cash Equivalents**

The University considers all highly liquid financial instruments with an original maturity of 90 days or less to be cash equivalents, except those amounts assigned to its investment managers and unspent bond and commercial paper proceeds, which are classified as investments.

#### **Investments and Other Financial Instruments**

Investments are made within guidelines authorized by a group of individuals consisting of both trustees and nontrustees appointed by the University's Board of Trustees. The University's Board of Trustees retains overall fiduciary responsibility. Investments are initially recorded at cost at date of acquisition or fair value at date of donation in the case of gifts. Ownership of marketable securities is recognized as of the trade date. Marketable securities transactions that have not settled are recognized as accounts receivable or accounts payable until the settlement date. Endowment income is calculated net of internal and external investment management expenses, including the investment income excise tax.

# William Marsh Rice University

## Notes to Consolidated Financial Statements

### June 30, 2022 and 2021

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*(all dollar amounts in thousands)*

Investments are stated at fair value. Fair value is defined as the price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date.

The hierarchy of valuation inputs is based on the extent to which inputs are observable in the marketplace. Observable inputs reflect market data obtained from sources independent of the University and unobservable inputs reflect assumptions about how market participants would value an asset or liability based on the best information available. Valuation techniques used to measure fair value maximize the use of observable inputs and minimize the use of unobservable inputs. The fair value hierarchy is based on three levels of inputs, of which the first two are considered observable and the last is unobservable, that may be used to measure fair value.

The following describes the hierarchy of inputs used to measure fair value and the primary valuation methodologies used by the University for financial instruments measured at fair value on a recurring basis (Note 7). The three levels of inputs are as follows:

- Level 1 Quoted prices in active markets for identical assets or liabilities, such as exchange-traded equity securities.
- Level 2 Inputs other than Level 1 that are observable, either directly or indirectly, such as quoted prices for similar assets or liabilities, quoted prices in markets that are not active, or other inputs that are observable or can be corroborated by observable market data for substantially the same term of the assets or liabilities, including corporate bonds and most Treasury securities.
- Level 3 Unobservable inputs, such as valuations supplied by the investment managers, that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities, including investments in certain hedge strategies and all private market strategies.

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

In addition to these three valuation methodologies, as a practical expedient, the University is permitted under accounting principles generally accepted in the United States of America ("GAAP") to estimate the fair value of its investments with external managers using the external managers' reported net asset value ("NAV") without further adjustment unless the University expects to sell the investment at a value other than NAV or the NAV is not calculated in accordance with GAAP.

The estimated fair value of certain alternative investments, such as private equity and other limited partnership interests, is based on valuations provided by the general partners or partnership valuation committees. These valuations consider variables such as financial performance of investments, recent sale prices of similar investments and other pertinent information. The University reviews and evaluates the data used in determining fair value, including the valuation methods, assumptions, and values provided by the investment managers. Because alternative investments are not readily marketable, their estimated fair value is subject to uncertainty and therefore may differ from the value that would have been used had a ready market for such investments existed. These differences could be material.

**William Marsh Rice University**  
**Notes to Consolidated Financial Statements**  
**June 30, 2022 and 2021**

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*(all dollar amounts in thousands)*

Direct investments in natural resources, specifically timberland and oil and gas, as well as real estate are primarily valued using a combination of independent appraisals and/or one or more industry standard valuation techniques (e.g., income approach, market approach, or cost approach). The income approach is primarily based on the investment's anticipated future income using one of two principal methods: the discounted cash flow method or the capitalization method. Inputs and estimates developed and utilized in the income approach may be subjective and require judgment regarding significant matters such as estimating the amount and timing of future cash flows and the selection of discount and capitalization rates that appropriately reflect market and credit risks. The market approach derives investment value through comparison to recent and relevant market transactions with similar investment characteristics. The cost approach is utilized when the cost of the investment is determined to be the best representation of fair value. This method is typically used for newly purchased or undeveloped assets. The valuation process encompasses a wide range of procedures that in the aggregate allow the University to assert as to the adequacy of the fair values reported as of the measurement date.

Derivative financial instruments are recorded in the Consolidated Statements of Financial Position as either an asset or liability measured at fair value as of the reporting date. Derivative financial instruments consist of energy hedge agreements. Changes in fair value of these derivatives are recognized in the Consolidated Statements of Activities as other nonoperating changes.

The University's investments are exposed to a number of risks including interest rate, market, and credit risks. Due to the level of risk exposure, it is possible that changes in the valuation of these investments may occur in the near term and that such changes could be material.

**Property and Equipment**

Property used by the University is stated at cost for purchased assets and fair value at the date of donation in the case of gifts. Interest expense incurred during the period of construction of an asset for University use is capitalized until that asset is substantially completed and ready for use. The University depreciates its physical assets using the straight-line method over their estimated useful lives. Repairs and maintenance of property and equipment are expensed as incurred. Property and equipment are removed from the records at the time of disposal. Any resulting gain or loss on disposal is recognized in the Consolidated Statements of Activities.

Works of art, historical treasures, literary works and artifacts are preserved and protected for educational, research and public exhibition purposes. Donations and purchases of such collections are recorded for financial statement purposes as property and equipment but are not depreciated.

**Asset Retirement Obligations**

The University recognizes asset retirement obligations ("AROs") that are conditional on a future event, such as the legal obligation to safely dispose of asbestos when a building is remodeled or demolished. The University measures conditional AROs at estimated fair value using a probability weighted, discounted cash flow model with multiple scenarios, if applicable. The present value of weighted, discounted cash flows is calculated using credit-adjusted, risk-free rates applicable to the University in order to determine the estimated fair value of the conditional AROs.

**Life Income Agreements**

Life income agreements include charitable remainder trusts and gift annuities. Charitable remainder trusts hold donated assets for which the University's subsidiary acts as trustee and periodically pays specified amounts to the designated beneficiaries. Generally, beneficiary

# William Marsh Rice University

## Notes to Consolidated Financial Statements

### June 30, 2022 and 2021

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*(all dollar amounts in thousands)*

payments are a fixed amount for annuity trusts and a fixed percentage of the fair value of the trust assets or based on income earned for other charitable remainder trusts. At a date specified in each gift instrument, usually the beneficiary's date of death, ownership of the trust assets will transfer to the University and the beneficiary payments will cease. The University also enters into gift annuity agreements, which require that the University take ownership of the assets at the date of gift with an obligation to periodically pay specified amounts to designated beneficiaries for their lifetimes. Assets held in life income trusts and those assets associated with gift annuities are included in investments at fair value. Contribution revenues are recognized at the date the trusts or gift annuities are established at the net present value calculated based on an actuarial table. Liabilities are recorded at the same time using actuarial tables and discounted according to the risk-free rate at the time of the gift. Discount rates range from 1% to 6%. The liability represents the present value of the estimated future payments to be made to the beneficiaries. The liabilities are adjusted annually for changes in the value of the assets and actuarial changes, which impact the estimates of future payments.

#### **Student Tuition and Fees**

Tuition and fees includes amounts charged for degree programs as well as nondegree executive and continuing education programs. Fees are recognized when assessed and tuition revenue is recognized over the period during which the courses are taken. The University has a need-blind admission policy for domestic undergraduate students; and the university meets all demonstrated financial need of enrolled undergraduate students. Awarded financial aid is applied first to tuition and required fees (see Note 11).

#### **Grants and Contracts**

The University receives funding from both government and private sources for research and other programs conducted under grants and contracts. Nearly all revenue from these sources are nonexchange transactions. Revenue associated with nonexchange transactions is recognized as the qualified expenditures are incurred up to the award amount. A limited number of grants and contracts from private sources are considered exchange transactions and are allocated to the University on a calendar basis. Revenue associated with exchange transactions is recognized as the performance obligation is met.

Unearned income from sponsored programs is amounts received by the University under the terms of agreements that generally require the exchange of assets, rights, or privileges between the University and the sponsor. Such funds are advanced for activity that will occur in the near future, generally within the next fiscal year; and are recognized in accounts payable and other liabilities.

Most grants and contracts provide for reimbursement of both direct and indirect costs. The recovery of indirect costs, also referred to as facilities and administrative costs, is recognized based on predetermined rates negotiated with the federal government or amounts set by nonfederal sponsors.

#### **Gifts and Pledges**

Gifts and pledges (contributions) are recognized when received. Gifts of securities are recorded at their fair value at the date of contribution. Nonfinancial gifts received from donors are put into use and recorded by the University at fair value. Pledges consist of unconditional promises to contribute to the University over an agreed upon schedule. Pledges, trusts, and remainder interests are reported at their estimated fair values.

# William Marsh Rice University

## Notes to Consolidated Financial Statements

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The University records items of collections (such as books or manuscripts) as gifts at fair value. In general, collections are only received for educational or research purposes and are not disposed of for financial gain or otherwise encumbered in any manner.

#### **Auxiliary Enterprises**

Revenues from auxiliary operations, which include student housing, dining, transportation and parking, are recognized over the period during which the services are provided. To the extent financial aid is awarded to students in excess of their tuition and required fees, it is next applied to room and board charges (see Note 11).

#### **Other Revenues**

Other revenues primarily consist of athletics revenues and revenues related to sales of nontuition based goods and services (e.g. textbooks, conferences, consortia fees, concerts, etc.). Other revenues related to exchange contracts are recognized as the University fulfills the terms of the agreements, which generally span less than one year. Other revenue related to nonexchange contracts is recognized as received.

#### **Use of Estimates**

Financial statements prepared in conformity with accounting principles generally accepted in the United States of America rely on estimates. Management makes certain estimates and assumptions that affect the reported amounts of assets and liabilities, disclosures of contingent assets and liabilities, and reported revenues and expenses during the period. Actual results could differ from these estimates.

#### **Credit Risk**

The University maintains operating cash and other cash balances in financial institutions that from time to time may exceed federally insured limits. The University periodically assesses the financial condition of these institutions and believes that the risk of loss is minimal.

The University has evaluated the credit risk associated with financing receivables, primarily student loans, and determined that both the receivables and the related allowances are immaterial to the financial statements.

#### **Tax Status**

The University is exempt from federal income tax to the extent provided under Section 501(c)(3) of the Internal Revenue Code. The IRS issued a determination letter in January 1938 that recognized the University as exempt from federal income tax under Section 501(c)(3).

The University has 11 subsidiary corporations that are included in the consolidated financial statements. Two of these subsidiary corporations are exempt from federal income taxes under 501(c)(2), two are exempt under 501(c)(3), one is exempt under 501(c)(4), four are exempt under 501(c)(25) and two are subject to taxation. The University is classified as an organization that is not a private foundation under Section 509(a) of the Internal Revenue Code because it is described in Sections 509(a)(1) and 170(b)(1)(A)(ii) and, as such, gifts to the University qualify for deduction as charitable contributions to the extent provided by law. The University and its subsidiary corporations that are exempt from federal income tax are required to pay federal income tax on unrelated business income. The amount of income tax expense for unrelated business income for the University and its subsidiary corporations was immaterial for the years ended June 30, 2022 and 2021, respectively.

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The University is part of a small group of universities that are subject to an excise tax of 1.4% on the University's net investment income and the net investment income of its subsidiary corporations. The excise tax is recognized as a reduction of the University's investment returns. The portion of the excise tax associated with the current period realized gains was \$4,847 and \$2,527 for the years ended June 30, 2022 and 2021, respectively.

U.S. GAAP requires the University to evaluate its tax positions to recognize a tax liability (or asset) if the University has taken an uncertain tax position that, more likely than not, would not be sustained upon examination by the IRS. The University has analyzed the tax positions taken and has concluded that as of June 30, 2022, there are no significant uncertain positions taken.

#### **Recently Adopted Accounting Standards**

The University adopted Accounting Standards Update (ASU) No. 2016-02, Leases (Topic 842) in fiscal 2021. ASU 2016-02 relates to leases in order to increase transparency and comparability among organizations by recognizing lease assets and lease liabilities on the statement of financial position and disclosing key information about leasing arrangements. The impact of adoption of this standard was insignificant to the University's consolidated financial statements.

#### **Other Reporting Matters**

In March 2020, a national emergency concerning COVID-19 was declared in the United States. At that time, the University suspended in-person classes and moved the curriculum online, asked students to return home (with few exceptions), and requested University faculty and staff to work remotely where possible.

On campus classes resumed, in conjunction with online classes for those who could not or did not want to attend on campus, for the academic year 2020 - 2021. Some University personnel returned to campus while others continued to work remotely. All students, faculty and staff who elected to be on campus were tested regularly for the virus. Academic year 2021 – 2022 resumed with a normal schedule and a return to near normal for other operations of the University. All students, faculty and staff who elected to be on campus were tested regularly for the virus for the majority of the academic year.

Although difficult to quantify, the greatest financial impact from the pandemic has been lost revenues from student housing and dining plans, parking, and athletic and other events. There have also been significant additional out-of-pocket expenses related to COVID-19. The additional expenses have primarily been for testing for faculty, staff and students, personal protective equipment and additional cleaning supplies.

The University has incurred out-of-pocket pandemic related expenses for the years ended June 30, 2022 and 2021. Certain of these expenses have been or are in the process of being submitted to the Federal Emergency Management Agency ("FEMA") under its Public Assistance Program for reimbursement. The University can provide no assurances as to the timing or amount, if any, of any reimbursement from FEMA. Accordingly, no amounts related to the reimbursement are recorded until a grant notification from FEMA is received.

The University received awards under the Higher Education Emergency Relief Act, a portion of which was to be used for the direct benefit of students and a portion of which could be used by the University for expenses or lost revenue related to the pandemic. The amount recognized was \$1,339 and \$10,113 for the years ended June 30, 2022 and 2021, respectively.



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**Reclassifications**

Certain amounts in the fiscal year 2021 consolidated statement of activities have been reclassified to conform to the fiscal year 2022 presentation. Such reclassifications were immaterial individually and had no impact on net operating income (loss) or total change in net assets.

**2. Liquidity and Availability**

Financial assets available within one year of the balance sheet date for general expenditures, such as operating and capital expenses, are summarized as follows at June 30:

|  | <b>2022</b>       | <b>2021</b>       |
|--|-------------------|-------------------|
| Cash and cash equivalents  | \$ 34,999         | \$ 23,162         |
| Accounts receivable  | 70,189            | 49,367            |
| Pledges receivable, due within one year                                  | 47,188            | 57,213            |
| Short-term working capital investment <sup>(1)</sup>                     | 268,850           | 227,691           |
| Investments approved for appropriation in subsequent year <sup>(2)</sup> | <u>370,631</u>    | <u>329,262</u>    |
| Total financial assets available within one year                         | 791,857           | 686,695           |
| Unissued commercial paper <sup>(3)</sup>                                 | <u>68,398</u>     | <u>72,545</u>     |
| Total financial assets and liquidity resources available within one year | <u>\$ 860,255</u> | <u>\$ 759,240</u> |

<sup>(1)</sup> The University manages liquidity by structuring financial assets to be available as its general expenditures, liabilities, and other obligations come due. The University invests cash in excess of operational requirements in short-term investments.

<sup>(2)</sup> Each spring the Board of Trustees appropriates the amount of investments that can be used in the subsequent fiscal year. These funds are available beginning July 1 of each subsequent fiscal year.

<sup>(3)</sup> As described in Note 10, the University has a commercial paper program. With Board of Trustees approval, taxable commercial paper could be used to manage unanticipated liquidity needs. The Board has approved a total commercial paper authority of \$100 million.

Although the investment pool has a significant amount of assets that are generally liquid within the near term, they are only considered available for general expenditure to the extent they are designated as short-term working capital investments or approved for distribution during the annual budget process under the University's endowment distribution policy described in Note 6. Investments approved for distribution in the subsequent year are calculated based on a board-approved spending rate. The University also has the ability to make additional one-time appropriations from funds functioning as endowment without donor restrictions, subject to Board approval and to the extent that there are sufficient liquid investment assets.

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*(all dollar amounts in thousands)*

**3. Accounts Receivable and Other Assets**

Accounts receivable and other assets of the University at June 30, 2022 and 2021 were as follows:

|   | <b>2022</b>      | <b>2021</b>      |
|---|------------------|------------------|
| Unsettled investment sales and receivables  | \$ 4,521         | \$ 6,816         |
| Investment income receivable  | 1,182            | 923              |
| Student loans receivable, net of allowance of<br>\$580 in 2022 and \$580 in 2021      | 4,135            | 3,655            |
| Inventory, prepaid expenses, and other assets   | 11,362           | 10,191           |
| Sponsored programs receivable, net of allowance of<br>\$0 in 2022 and \$0 in 2021     | 51,533           | 27,310           |
| Swap agreements   | 1,829            | 1,151            |
| Other accounts receivable, net of allowance of<br>\$2,834 in 2022 and \$1,288 in 2021 | 11,124           | 13,167           |
| Total accounts receivable and other assets, net                                       | <u>\$ 85,686</u> | <u>\$ 63,213</u> |

**4. Pledges Receivable**

Unconditional promises to give are included in the consolidated financial statements as pledges receivable and revenue of the appropriate net asset category. Multi-year pledges are recorded after discounting to the present value of expected future cash flows. Unconditional promises to give at June 30, 2022 and 2021 are expected to be realized in the following periods:

|                                     | <b>2022</b>       | <b>2021</b>       |
|-------------------------------------|-------------------|-------------------|
| In one year or less                 | \$ 57,235         | \$ 96,550         |
| Between one year and five years     | 89,790            | 52,889            |
| More than five years                | 86,884            | 54,041            |
| Gross pledges receivable            | <u>233,909</u>    | <u>203,480</u>    |
| Less:                               |                   |                   |
| Discount to net present value       | (22,550)          | (14,090)          |
| Allowance for uncollectible pledges | (14,034)          | (12,209)          |
| Net pledges receivable              | <u>\$ 197,325</u> | <u>\$ 177,181</u> |

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(all dollar amounts in thousands)

Pledges receivable at June 30, 2022 and 2021 had the following restrictions:

|   | <b>2022</b> | <b>2021</b> |
|---|-------------|-------------|
| Long-term investment                          | \$ 67,774   | \$ 46,810   |
| Buildings                                     | 87,241      | 59,063      |
| Support of University programs and activities | 78,894      | 97,607      |
| Gross pledges receivable                      | 233,909     | 203,480     |
| Less:   |             |             |
| Discount to net present value                 | (22,550)    | (14,090)    |
| Allowance for uncollectible pledges           | (14,034)    | (12,209)    |
| Net pledges receivable                        | \$ 197,325  | \$ 177,181  |

Rates ranging from 1% to 6% are used to discount pledges. A reserve rate of 6% was used for the allowance for uncollectible pledges as of June 30, 2022 and 2021. The reserve rate is reviewed annually to ensure adequate provision for uncollectible amounts. Periodically unconditional promises to give are reviewed for collectability. As a result, the allowance for uncollectible pledges may be adjusted and some pledges may be adjusted or cancelled. Such changes will be reflected in the consolidated financial statements as they occur.

At June 30, 2022 and 2021, the University had conditional pledge commitments of \$11,000 and \$400, respectively, for program initiatives and capital projects. Conditional pledges are not reported in the consolidated financial statements.

## 5. Investment Returns

The following table presents investment income and net gains for the year ended June 30, 2022 by net asset classification, with summarized information for the year ended June 30, 2021:

|  | <b>2022</b>                           |                                    |              | <b>2021</b>  |
|--|---------------------------------------|------------------------------------|--------------|--------------|
|  | <b>Without Donor<br/>Restrictions</b> | <b>With Donor<br/>Restrictions</b> | <b>Total</b> | <b>Total</b> |
| Investment income  | \$ 35,137                             | \$ 49,980                          | \$ 85,117    | \$ 21,864    |
| Net (losses) gains on investments                                    | (26,130)                              | (65,298)                           | (91,428)     | 2,176,820    |
| Total investment returns   | 9,007                                 | (15,318)                           | (6,311)      | 2,198,684    |
| Less:  |                                       |                                    |              |              |
| Earned on operating funds  | (522)                                 | (1,621)                            | (2,143)      | (3,043)      |
| Losses (gains) on life income annuities                              | -                                     | 29,194                             | 29,194       | (35,652)     |
| Total returns for endowment<br>and board designated funds            | 8,485                                 | 12,255                             | 20,740       | 2,159,989    |
| Less: Allocated for endowment and board<br>designated funds spending | (156,779)                             | (178,329)                          | (335,108)    | (315,413)    |
| Endowment and board designated<br>funds (decrease) increase          | \$ (148,294)                          | \$ (166,074)                       | \$ (314,368) | \$ 1,844,576 |

Return on investments is presented net of investment management fees. Certain investments report net returns without specific identification of management fees.

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(all dollar amounts in thousands)

**6. Endowments**

Within investments the University has approximately 2,000 individual donor-restricted endowment funds and approximately 200 funds that are not donor-restricted for either purpose or time, but have been designated by the Board of Trustees for operational or capital purposes and are managed as endowment funds. In addition to being invested and managed alongside the endowment funds, they also receive a yearly allotment for spending generically referred to as the endowment spending allocation. The net assets associated with each are classified and reported based on the existence or absence of donor-imposed restrictions.

The following table presents net assets for endowment and funds functioning as endowment by purpose based on the nature of the restriction(s) given by the donor or the designation provided by the Board for the year ended June 30, 2022, with summarized information for the year ended June 30, 2021.

|  | 2022                       |                         |              | 2021         |
|--|----------------------------|-------------------------|--------------|--------------|
|  | Without Donor Restrictions | With Donor Restrictions | Total        | Total        |
| Faculty chairs and academic department support                             | \$ 375,794                 | \$ 2,214,047            | \$ 2,589,841 | \$ 2,626,312 |
| Discretionary  | 13,080                     | -                       | 13,080       | 13,545       |
| Library  | 5,259                      | 54,207                  | 59,466       | 61,437       |
| Operation and maintenance of plant   | 337,334                    | 56,466                  | 393,800      | 395,826      |
| Research   | 37,565                     | 127,640                 | 165,205      | 169,458      |
| Scholarships and fellowships   | 59,610                     | 1,061,572               | 1,121,182    | 1,143,349    |
| Student services   | 2,687                      | 203,717                 | 206,404      | 207,483      |
| Miscellaneous  | 137,506                    | -                       | 137,506      | 153,585      |
| Undesignated   | 2,357,049                  | 801,408                 | 3,158,457    | 3,309,297    |
| Total endowment and board designated funds                                 | 3,325,884                  | 4,519,057               | 7,844,941    | 8,080,292    |
| Pledges restricted for long-term investment, net of discount and allowance | -                          | (54,779)                | (54,779)     | (43,580)     |
| Endowment and board designated funds, excluding pledges                    | \$ 3,325,884               | \$ 4,464,278            | \$ 7,790,162 | \$ 8,036,712 |

These are intended to be broad categories that contain a wide array of individual funds with varying degrees of specificity as to how the endowment earnings allocation is to be used. Funds functioning as endowment are established by the Board and are generally specified for a general purpose. Most of the earnings allocation is used for general support of operations; however, management is able to use those funds as it determines best and sometimes uses the funds to launch or help sustain strategic initiatives. Undesignated funds are funds that can be used for general operations and are not limited to how the funds are used. This category also contains some recent endowment gifts that are limited to use; however, the donor has not yet finalized the spending stipulations.

In accordance with the Uniform Prudent Management of Institutional Funds Act (UPMIFA), the University considers the following factors in making a determination to appropriate or accumulate endowment funds:

1. The duration and preservation of the fund;

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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.

#### **Endowment Investment Policies**

The University has adopted endowment investment policies that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain and, if possible, enhance the purchasing power of endowment assets. The University has a diversified approach to management of the endowment investment portfolio. By diversifying among asset classes and rebalancing toward policy target allocations, the University strives to manage and maintain the risk profile implied by policy targets.

To achieve its long-term return objectives, the University relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized gains) and current yield (interest and dividends). The University's diversified asset allocation places greater emphasis on equity-based investments to achieve its long-term objectives within prudent risk and liquidity constraints. The long-term investment objectives of the endowment are to attain an average annual real total return in excess of endowment spending and to outperform various strategic policy and comparable industry universe benchmarks over the long term.

#### **Endowment Spending Allocation and Relationship of Spending Policy to Investment Objectives**

The Board of Trustees of the University approves the appropriation of endowment funds for expenditure. In establishing a distribution policy, the Board of Trustees considered a number of factors, including the expected long-term investment rate of return on the endowment. Accordingly, over the long term, the University expects the current spending policy to allow its endowment assets to grow, consistent with its intention to maintain the purchasing power of the endowment assets while providing a relatively predictable and stable (in real terms) stream of earnings for current use. Under the University's endowment earnings distribution policy, endowment returns on donor-restricted endowments, net of operating distributions, remain in the investment pool as net assets with donor-restrictions and endowment returns on board-designated endowment funds remain in the investment pool as net assets without donor-restrictions.

#### **Endowment Funds With Deficits**

From time to time, the fair value of assets associated with individual donor restricted endowment funds may fall below the value of the initial and subsequent donor gift amounts creating a deficit. These deficits generally result when unfavorable market fluctuations occur shortly after the investment of newly established endowments.

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Changes in endowment net assets for the year ended June 30, 2022, with summarized information for the year ended June 30, 2021, were as follows:

|   | 2022                       |                         |              | 2021         |
|---|----------------------------|-------------------------|--------------|--------------|
|   | Without Donor Restrictions | With Donor Restrictions | Total        | Total        |
| <b>Endowment net assets at beginning of year</b>  | \$ 3,470,760               | \$ 4,609,532            | \$ 8,080,292 | \$ 6,166,323 |
| Investment returns                                |                            |                         |              |              |
| Investment income                                 | 34,615                     | 50,506                  | 85,121       | 21,116       |
| Net realized and unrealized (losses) gains        | (26,130)                   | (45,152)                | (71,282)     | 2,138,873    |
| Total investment returns                          | 8,485                      | 5,354                   | 13,839       | 2,159,989    |
| Contributions                                     | 392                        | 77,970                  | 78,362       | 50,598       |
| Appropriation of endowment assets for expenditure | (156,779)                  | (178,329)               | (335,108)    | (315,413)    |
| Other changes                                     |                            |                         |              |              |
| Transfers to board designated endowment funds     | 3,026                      | -                       | 3,026        | 5,485        |
| Donor designation                                 | -                          | 50                      | 50           | 1,458        |
| Other transfers                                   | -                          | 4,480                   | 4,480        | 11,852       |
| Change in endowment net assets                    | (144,876)                  | (90,475)                | (235,351)    | 1,913,969    |
| <b>Endowment net assets at end of year</b>        | \$ 3,325,884               | \$ 4,519,057            | \$ 7,844,941 | \$ 8,080,292 |

**7. Financial Instruments**

The following tables present the financial instruments carried at fair value on the Consolidated Statements of Financial Position as of June 30, 2022 and 2021, by category, in accordance with the valuation hierarchy defined in Note 1. Certain alternative investments, such as hedge funds, that do not have readily determinable fair values, are shown at investee-reported net asset value (NAV):

|  | 2022       |            |              |              |              |
|--|------------|------------|--------------|--------------|--------------|
|  | Level 1    | Level 2    | Level 3      | NAV          | Total        |
| <b>Investments</b>                                 |            |            |              |              |              |
| Short term investments and fixed income securities |            |            |              |              |              |
| Short term investments                             | \$ 331,026 | \$ 549,520 | \$ -         | \$ -         | \$ 880,546   |
| Investment grade U.S. bonds                        | -          | 315,047    | -            | -            | 315,047      |
| Equity securities                                  | 384,227    | -          | -            | -            | 384,227      |
| Equity funds                                       | -          | -          | -            | 1,045,214    | 1,045,214    |
| Limited partnerships and other funds               |            |            |              |              |              |
| Private equity and venture capital                 | -          | -          | -            | 2,041,652    | 2,041,652    |
| Hedge  | -          | -          | -            | 1,167,251    | 1,167,251    |
| Real estate  | -          | -          | -            | 507,078      | 507,078      |
| Energy and natural resources                       | -          | -          | -            | 800,203      | 800,203      |
| Real assets, oil and gas, and other                | 31,542     | -          | 1,079,171    | -            | 1,110,713    |
| Life income agreements                             | 171,459    | 207        | 106          | -            | 171,772      |
| Total investments at fair value                    | \$ 918,254 | \$ 864,774 | \$ 1,079,277 | \$ 5,561,398 | \$ 8,423,703 |
| Swaps receivable                                   | \$ -       | \$ -       | \$ 1,829     | \$ -         | \$ 1,829     |

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|  | 2021                |                   |                   | NAV                 | Total               |
|--|---------------------|-------------------|-------------------|---------------------|---------------------|
|  | Level 1             | Level 2           | Level 3           |                     |                     |
| <b>Investments</b>                                 |                     |                   |                   |                     |                     |
| Short term investments and fixed income securities |                     |                   |                   |                     |                     |
| Short term investments                             | \$ 301,333          | \$ 399,519        | \$ -              | \$ -                | \$ 700,852          |
| Investment grade U.S. bonds                        | -                   | 333,153           | -                 | -                   | 333,153             |
| Equity securities                                  | 699,178             | -                 | -                 | -                   | 699,178             |
| Equity funds                                       | -                   | -                 | -                 | 1,208,357           | 1,208,357           |
| Limited partnerships and other funds               |                     |                   |                   |                     |                     |
| Private equity and venture capital                 | -                   | -                 | -                 | 2,253,593           | 2,253,593           |
| Hedge  | -                   | -                 | -                 | 1,155,074           | 1,155,074           |
| Real estate  | -                   | -                 | -                 | 478,262             | 478,262             |
| Energy and natural resources                       | -                   | -                 | -                 | 657,654             | 657,654             |
| Real assets, oil and gas, and other                | 78,785              | -                 | 961,388           | -                   | 1,040,173           |
| Life income agreements                             | 202,582             | 209               | 106               | -                   | 202,897             |
| Total investments at fair value                    | <u>\$ 1,281,878</u> | <u>\$ 732,881</u> | <u>\$ 961,494</u> | <u>\$ 5,752,940</u> | <u>\$ 8,729,193</u> |
| Swaps receivable                                   | \$ -                | \$ -              | \$ 1,151          | \$ -                | \$ 1,151            |

Life income agreement assets consist primarily of mutual funds, with some directly held assets in real estate, oil and gas, and bonds. Life income investments included in Level 1 are cash and cash equivalents and mutual funds investing in equities, real estate funds and fixed income securities. Life income investments included in Level 2 are directly held bonds and U.S. Treasury securities. Life income investments included in Level 3 are directly held interests in real estate, oil and gas, and other investments. The life income agreement investments are managed by an external manager.

The following tables present the changes in amounts included in the Consolidated Statements of Financial Position for financial instruments classified by the University within Level 3.

**Investments**

|                                    | Real Assets,<br>Oil and Gas,<br>and Other | Life<br>Income<br>Agreements | Total               |
|------------------------------------|---|------------------------------|---------------------|
| <b>Fair value at July 1, 2021</b>  | \$ 961,388                                | \$ 106                       | \$ 961,494          |
| Unrealized gains                   | 79,736                                    | -                            | 79,736              |
| Capital calls/purchases            | 42,305                                    | -                            | 42,305              |
| Other                              | (4,258)                                   | -                            | (4,258)             |
| <b>Fair value at June 30, 2022</b> | <u>\$ 1,079,171</u>                       | <u>\$ 106</u>                | <u>\$ 1,079,277</u> |

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|                                    | <b>Real Assets,<br/>Oil and Gas,<br/>and Other</b> | <b>Life<br/>Income<br/>Agreements</b> | <b>Total</b>      |
|------------------------------------|--|---------------------------------------|-------------------|
| <b>Fair value at July 1, 2020</b>  | \$ 813,234   | \$ 106                                | \$ 813,340        |
| Unrealized gains                   | 96,184   | -                                     | 96,184            |
| Capital calls/purchases            | 49,697   | -                                     | 49,697            |
| Other                              | 2,273  | -                                     | 2,273             |
| <b>Fair value at June 30, 2021</b> | <u>\$ 961,388</u>                                  | <u>\$ 106</u>                         | <u>\$ 961,494</u> |

The following table presents a summary of Level 3 valuation techniques and quantitative information utilized in determining the value of real assets, oil and gas, and other investments, where no practical expedient to using the external managers' reported NAV exists.

| Asset type                  | Fair Value          |                   | Valuation Technique             | Unobservable Input | 2022 Rates | 2021 Rates |
|-----------------------------|---------------------|-------------------|---------------------------------|--------------------|------------|------------|
|                             | 2022                | 2021              |                                 |                    |            |            |
| Real estate                 | \$ 648,853          | \$ 598,876        | Discounted cash flow, sales     | Discount rate      | 5.0%–8.5%  | 5.0%–8.5%  |
| Timber                      | 89,300              | 89,300            | Income approach, cost, sales    | Discount rate      | 5%–7%      | 5%–7%      |
| Oil and gas                 | 185,800             | 124,773           | Discounted cash flow, net asset | Discount rate      | 7%–45%     | 7%–45%     |
| Directly held private stock | 33,840              | 62,845            | Varies                          | Varies             | Varies     | Varies     |
| Other                       | 121,378             | 85,594            | Varies                          | Varies             | Varies     | Varies     |
|                             | <u>\$ 1,079,171</u> | <u>\$ 961,388</u> |                                 |                    |            |            |

The University recognizes transfers between levels as of the end of the reporting period. There were no transfers between Level 1 and Level 2 in 2022 and 2021.

Hedge funds held by the University may be subject to restrictions that limit (i) the University's ability to redeem/withdraw capital from such funds during a specified period of time subsequent to the University's investment of capital (lockups) and/or (ii) the amount of capital that investors may redeem/withdraw as of given redemption/withdrawal dates (side pockets). Capital available for redemption/withdrawal may also be subject to redemption/withdrawal charges and may or may not include capital attributable to the University's participation in illiquid investments. These funds generally limit redemptions to monthly, quarterly, semiannually, annually or longer, at NAV, and require between 30 and 90 days prior written notice, limiting the University's ability to respond quickly to changes in market conditions. The value of hedge funds classified at NAV included investment lockups that will expire over the next 3 to 33 months of \$422,128 and \$539,635 at June 30, 2022 and 2021, respectively, and side pockets of \$122,585 and \$110,316 at June 30, 2022 and 2021, respectively, that had indeterminate redemption periods. Certain of the University's nonhedged fund investments restrict the ability to withdraw, which limits the University's ability to respond quickly to changes in market conditions. These investments are therefore illiquid.



**William Marsh Rice University**  
**Notes to Consolidated Financial Statements**  
**June 30, 2022 and 2021**

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(all dollar amounts in thousands)

**Swap Agreements**

|  | <b>2022</b>     | <b>2021</b>     |
|--|-----------------|-----------------|
| <b>Fair value at July 1</b>                | \$ 1,151        | \$ 1,385        |
| Net realized and unrealized gains (losses) | <u>678</u>      | <u>(234)</u>    |
| <b>Fair value at June 30</b>               | <u>\$ 1,829</u> | <u>\$ 1,151</u> |

The University entered into an agreement to hedge a portion of the cost of electricity that took effect on December 1, 2020 and extends through December 1, 2022. The estimated fair value of the arrangement was an asset of \$1,829 and \$1,151 at June 30, 2022 and 2021, respectively. The change in value is reported as other nonoperating change on the Consolidated Statements of Activities.

**8. Property and Equipment**

Property and equipment at June 30, 2022 and 2021 were as follows:

|  | <b>Estimated<br/>Useful Lives<br/>(Years)</b> | <b>2022</b>         | <b>2021</b>         |
|--|---|---------------------|---------------------|
| Land                                   | -   | \$ 40,470           | \$ 40,470           |
| Buildings and improvements             | 20-50   | 1,921,458           | 1,894,580           |
| Equipment, furniture and library books | 2-20  | 503,013             | 485,319             |
| Art                                    | -   | 14,152              | 13,512              |
| Construction in progress               | -   | 115,253             | 43,652              |
| Less: Accumulated depreciation         | -   | <u>(1,168,199)</u>  | <u>(1,095,697)</u>  |
| Total property and equipment, net      |   | <u>\$ 1,426,147</u> | <u>\$ 1,381,836</u> |

**9. Accounts Payable and Other Liabilities**

Accounts payable and other liabilities at June 30, 2022 and 2021 were as follows:

|  | <b>2022</b>       | <b>2021</b>       |
|--|-------------------|-------------------|
| Unsettled investment purchases and advances  | \$ 4,901          | \$ 6,677          |
| Vendor accounts payable                      | 12,695            | 19,600            |
| Accrued payroll and employee benefits        | 33,399            | 26,595            |
| Sponsored programs unearned income           | 54,389            | 69,212            |
| Other unearned income                        | 4,739             | 2,516             |
| Asset retirement obligations                 | 3,464             | 3,603             |
| Accrued interest payable                     | 4,605             | 4,925             |
| Other liabilities                            | <u>17,823</u>     | <u>20,570</u>     |
| Total accounts payable and other liabilities | <u>\$ 136,015</u> | <u>\$ 153,698</u> |

**William Marsh Rice University**  
**Notes to Consolidated Financial Statements**  
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(all dollar amounts in thousands)

**10. Notes and Bonds Payable**

Notes and bonds payable at June 30, 2022 and 2021 were as follows:

|  | <b>2022</b>         | <b>2021</b>         |
|--|---------------------|---------------------|
| Taxable bonds, Series 2020, maturing 2050, with an average coupon of 2.598% per annum payable semiannually   | \$ 200,000          | \$ 200,000          |
| Taxable bonds, Series 2017, maturing 2045 through 2047 with an average coupon of 3.567% per annum payable semiannually   | 102,915             | 102,915             |
| Taxable bonds, Series 2015, maturing 2045 and 2055, with an average coupon of 3.686% per annum payable semiannually  | 680,000             | 680,000             |
| Taxable bonds, Series 2013, maturing 2061 through 2063, with an average coupon of 4.626% per annum payable semiannually  | 113,985             | 113,985             |
| Tax-exempt revenue bonds, Series 2010B, maturing 2031 through 2048, with an average coupon of .80% per annum payable monthly   | <u>23,045</u>       | <u>23,045</u>       |
| Total bond liability   | 1,119,945           | 1,119,945           |
| Tax-exempt commercial paper notes, Series A, with interest ranging from 0.85% to 1.55% at June 30, 2022 and from 0.07% to 0.12% at June 30, 2021 per annum payable upon maturity | 31,605              | 27,455              |
| Net of deferred financing costs, premiums and discounts on bond issuances  | <u>(6,880)</u>      | <u>(7,071)</u>      |
| Total notes and bonds payable  | <u>\$ 1,144,670</u> | <u>\$ 1,140,329</u> |

The University incurred interest expense and bond costs, net of interest earned, of approximately \$38,668 and \$38,257 in 2022 and 2021, respectively. Interest expense and bond costs of \$39,130 and \$39,151 was charged to operations in 2022 and 2021, respectively. Interest expense of \$331 and \$254 was capitalized in 2022 and 2021, respectively.

**Taxable Bonds**

**Series 2020**

On March 13, 2020, the University issued taxable bonds at par value of \$200,000 with an underwriters discount of \$781 and issuance costs of \$555. Both will be amortized over the term of the bond issue. Interest payments on the bonds are payable semiannually. The bonds mature May 15, 2050 with mandatory sinking fund redemption payments required in each of the five years leading up to the maturity date.

The proceeds from these bonds were used to settle a treasury interest rate lock agreement for \$53,484, refinance capital projects that had used commercial paper for bridge financing between debt issuances, and to fund long-term capital projects.

Unspent bond proceeds of \$62,045 and \$72,980 at June 30, 2022 and 2021, respectively, were invested in a short-term investment fund.

# William Marsh Rice University

## Notes to Consolidated Financial Statements

### June 30, 2022 and 2021

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*(all dollar amounts in thousands)*

#### **Series 2017**

On November 17, 2017, the University issued taxable bonds with a par value of \$102,915 with an underwriters discount of \$473 and issuance costs of \$468. Both will be amortized over the term of the bond issue. Interest payments on the bonds are payable semiannually. The bonds mature November 15, 2047 with mandatory sinking fund redemption payments required in each of the three years leading up to the maturity date.

Proceeds from these bonds were used to advance refund the Series 2010A revenue bonds of \$94,485 by irrevocably placing assets with a trustee to pay principal and other associated costs on the obligations. The total set aside was \$101,974.

#### **Series 2015**

On April 22, 2015, the University issued taxable bonds with a par value of \$700,000 with an underwriters discount of \$4,045 and issuance costs of \$662. Both will be amortized over the term of the bond issue. Interest payments on the bonds are payable semiannually. In May 2016 \$20,000 matured and was repaid. The remaining bonds mature in the amount of \$340,000 due on May 15, 2045 and \$340,000 due on May 15, 2055. Mandatory sinking fund redemption payments are required in each of four years leading up to the maturity dates.

#### **Series 2013**

On June 26, 2013, the University issued \$113,985 of taxable bonds at par value. Interest payments on the bonds are payable semiannually beginning November 15, 2013. Principal payments start May 15, 2061 and continue annually until their maturity on May 15, 2063.

The proceeds of the bonds were used to refund all of the Series 2008A revenue bonds of \$100,000, refund a portion of the outstanding commercial paper notes of \$13,000, and pay the costs of issuance of the bonds of \$985.

#### **Tax-Exempt Revenue Bonds**

##### **Series 2010B**

On June 2, 2010, the University issued Series 2010B revenue bonds through the City of Houston Higher Education Finance Corporation. The revenue bonds, with a face value of \$39,765, were issued as variable rate demand bonds ("VRDBs"), which are subject to optional and mandatory tender. The University is not required to obtain or maintain a liquidity facility for the bonds.

In the event that the University receives notice of any optional tender on the bonds, or if these bonds become subject to mandatory tender, the purchase price of the bonds will be paid from the remarketing of such bonds. However, if the remarketing proceeds are insufficient, the University is obligated to purchase the bonds tendered at 100% of par value on the tender date.

Interest payments are payable monthly. Principal payments begin May 15, 2041 and continue annually until their maturity date on May 15, 2048.

**William Marsh Rice University**  
**Notes to Consolidated Financial Statements**  
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*(all dollar amounts in thousands)*

Principal maturities for notes and bonds payable as of June 30, 2022, excluding commercial paper and unamortized discounts and premiums, were as follows:

|            |           |                  |
|------------|-----------|------------------|
| 2023       | \$        | -                |
| 2024       |           | -                |
| 2025       |           | -                |
| 2026       |           | -                |
| Thereafter |           | <u>1,119,945</u> |
|            | <u>\$</u> | <u>1,119,945</u> |

**Commercial Paper Notes**

The University has a tax-exempt commercial paper program that provides for borrowings in the form of individual notes up to an aggregate of \$100,000. The notes bear a fixed rate of interest, established on the borrowing date, over their individual terms, not to exceed 270 days.

The University also established a taxable commercial paper program in May 2015 that provides for borrowings in the form of individual notes up to an aggregate of \$100,000. The notes bear a fixed rate of interest, established on the borrowing date, over their individual terms, not to exceed 270 days.

The University Board of Trustees has limited management's use of commercial paper to a maximum of \$100,000 between both programs.

The outstanding balance under the tax-exempt facility was \$31,602 with an average interest rate of 1.20% and an average maturity of 53 days at June 30, 2022.

The outstanding balance under the tax-exempt facility was \$27,455 with an average interest rate of 0.10% and an average maturity of 60 days at June 30, 2021.

There were no outstanding balances under the taxable facility at either June 30, 2022 or 2021.

**11. Student Financial Aid**

Student tuition and fees revenues, based on published rates, of \$420,650 and \$375,708 in 2022 and 2021, respectively, are presented in the consolidated financial statements net of scholarship and fellowship awards of \$176,400 and \$154,456, respectively. Auxiliary enterprises revenue was reduced by scholarship awards applied to room and board charges of \$9,980 and \$10,454 in 2022 and 2021, respectively. On a per student basis, scholarship and fellowship awards in excess of the above amounts are reported as expense. Financial aid provided to students in all forms was as follows:

|   | <b>2022</b>       | <b>2021</b>       |
|---|-------------------|-------------------|
| Scholarships and fellowship awards applied to tuition and fees      | \$ 176,400        | \$ 154,456        |
| Scholarships applied to room and board charges                      | 9,980             | 10,454            |
| Scholarships and fellowships awarded in excess of the above amounts | <u>50,564</u>     | <u>51,860</u>     |
| Total financial aid provided to students                            | <u>\$ 236,944</u> | <u>\$ 216,770</u> |

**William Marsh Rice University**  
**Notes to Consolidated Financial Statements**  
**June 30, 2022 and 2021**

(all dollar amounts in thousands)

**12. Grants and Contracts**

The major components of grants and contracts revenue for the years ended June 30, 2022 and 2021 were as follows:

|  | 2022       | 2021       |
|--|------------|------------|
| <b>Government</b>                        |            |            |
| Direct                                   | \$ 90,748  | \$ 91,669  |
| Indirect                                 | 26,196     | 24,751     |
| Total government                         | 116,944    | 116,420    |
| <b>Foundation, industrial, and other</b> |            |            |
| Direct                                   | 47,522     | 46,193     |
| Indirect                                 | 3,418      | 3,982      |
| Total foundation, industrial, and other  | 50,940     | 50,175     |
| Total grants and contracts               | \$ 167,884 | \$ 166,595 |

Grant and Contract awards for which the contractual performance obligations have not yet been met totaled \$18,107 and \$15,231 as of June 30, 2022 and 2021, respectively. Awards that are contractually authorized by the sponsor, but for which costs have not yet been incurred, totaled \$186,260 and \$174,880 as of June 30, 2022 and 2021, respectively.

**13. Functional Expenses**

Expenses of the University by major functional category for the years ended June 30, 2022 and 2021 were as follows:

| Natural Expense               | Instruction and University Research | Sponsored Research | Student Services and Scholarship | Other Programs | Programs Subtotal | Management | Fundraising | Other Support | Support Subtotal | Total      |
|-------------------------------|-------------------------------------|--------------------|----------------------------------|----------------|-------------------|------------|-------------|---------------|------------------|------------|
| Salaries and wages            | \$ 199,163                          | \$ 53,395          | \$ 31,346                        | \$ 10,993      | \$ 294,897        | \$ 38,606  | \$ 9,814    | \$ 39,382     | \$ 87,802        | \$ 382,699 |
| Benefits                      | 49,745                              | 14,024             | 10,215                           | 2,739          | 76,723            | 5,412      | 2,636       | 11,314        | 19,362           | 96,085     |
| Scholarships                  | -                                   | 10,683             | 39,878                           | -              | 50,561            | 3          | -           | -             | 3                | 50,564     |
| Depreciation and amortization | 15,162                              | 6,677              | 9,250                            | 7,619          | 38,708            | 904        | 556         | 33,731        | 35,191           | 73,899     |
| Interest and bond costs       | 19,024                              | 7,035              | 6                                | -              | 26,065            | 29         | -           | 13,036        | 13,065           | 39,130     |
| Utilities and rent            | 377                                 | 72                 | 159                              | 31             | 639               | 131        | 89          | 16,496        | 16,716           | 17,355     |
| Other operating expenses      | 79,229                              | 64,654             | 53,388                           | 12,310         | 209,581           | (5,338)    | 6,525       | (34,765)      | (33,578)         | 176,003    |
| Total 2022                    | \$ 362,700                          | \$ 156,540         | \$ 144,242                       | \$ 33,692      | \$ 697,174        | \$ 39,747  | \$ 19,620   | \$ 79,194     | \$ 138,561       | \$ 835,735 |

| Natural Expense               | Instruction and University Research | Sponsored Research | Student Services and Scholarship | Other Programs | Programs Subtotal | Management | Fundraising | Other Support | Support Subtotal | Total      |
|-------------------------------|-------------------------------------|--------------------|----------------------------------|----------------|-------------------|------------|-------------|---------------|------------------|------------|
| Salaries and wages            | \$ 200,696                          | \$ 56,440          | \$ 26,465                        | \$ 9,456       | \$ 293,057        | \$ 25,352  | \$ 9,679    | \$ 29,441     | \$ 64,472        | \$ 357,529 |
| Benefits                      | 45,790                              | 12,863             | 9,159                            | 2,897          | 70,709            | 3,756      | 1,378       | 8,828         | 13,962           | 84,671     |
| Scholarships                  | -                                   | 31,218             | 20,642                           | -              | 51,860            | -          | -           | -             | -                | 51,860     |
| Depreciation and amortization | 15,054                              | 6,629              | 9,184                            | 7,708          | 38,575            | 996        | 464         | 33,193        | 34,643           | 73,218     |
| Interest and bond costs       | 17,900                              | 7,024              | 54                               | -              | 24,978            | 730        | 326         | 13,117        | 14,173           | 39,151     |
| Utilities and rent            | 359                                 | 22                 | 96                               | 16             | 493               | 679        | 6           | 7,589         | 8,274            | 8,767      |
| Other operating expenses      | 82,364                              | 59,366             | 55,204                           | 22,010         | 218,944           | 1,825      | 2,255       | (16,618)      | (12,538)         | 206,406    |
| Total 2021                    | \$ 362,163                          | \$ 173,562         | \$ 120,804                       | \$ 42,087      | \$ 698,616        | \$ 33,328  | \$ 14,108   | \$ 75,550     | \$ 122,986       | \$ 821,602 |

Expenses are presented by functional classification similar to the way the University views its mission. Each functional area is presented with the natural expenses underlying the function. Natural expenses attributable to more than one functional expense category are allocated using

# William Marsh Rice University

## Notes to Consolidated Financial Statements

### June 30, 2022 and 2021

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*(all dollar amounts in thousands)*

reasonable cost allocation techniques. Depreciation, utilities and rent, and operation and maintenance expenses are allocated directly and/or based on square footage of facilities associated with the function. Interest expense is allocated based on the functional category that benefited from the proceeds of the underlying debt.

The major category included in Other Programs is the library at \$26,401 and \$35,844 for the years ended June 30, 2022 and 2021, respectively, and the major activity in Other Support is auxiliaries at \$78,040 and \$70,025 for the years ended June 30, 2022 and 2021, respectively. The negative amount in Other operating expenses in the Management and Other Support programs represents interdepartmental charges to other functions at the University. Typical charges include certain charges for facility work orders, internal charges for housing and dining, delivery services, and similar items.

#### **14. Related Party Transactions**

Members of the University's Board of Trustees and senior management may, from time to time, be associated, either directly or through interlocking board memberships, with entities doing business with the University. The University employs a conflict of interest policy that requires any such associations to be disclosed in writing on an annual basis and updated as appropriate during the year. When such associations exist, measures are taken to mitigate any actual or perceived conflict, including recusal of the board or senior management member from any decisions involving the entity doing business with the University. The transactions with entities associated with trustees or senior management are not considered to be significant and may include investment management, common membership in investment partnerships or other investment vehicles, or the purchase of goods or services.

#### **15. Retirement Plans**

Substantially all employees are eligible to participate in a defined contribution retirement plan, which is administered by a third party. The plan operates in accordance with Section 401(a) of the Internal Revenue Code. University contributions are made to this plan. In addition, employees may elect to participate in plans created under Section 403(b) of the Internal Revenue Code. The contributions of the University and its employees can be applied to a range of investments. The University's contributions to the plan of \$27,076 and \$27,531 were recorded as expense in the appropriate functional categories in 2022 and 2021, respectively.

#### **16. Commitments and Contingencies**

A number of suits and claims are pending against the University. While final outcomes cannot be determined at this time, management believes, after consultation with its legal counsel, that the uninsured liability, if any, resulting from these suits and claims will not have a material adverse effect on the University's financial position, operations, or cash flows.

The University receives funding from federal government agencies for research and other programs conducted under government grants and contracts. The costs recovered by the University in support of sponsored programs are subject to audit and adjustment.

In connection with its private equity investment program (Note 7), the University is obligated under certain limited partnership agreements to advance additional funding up to levels specified in each

**William Marsh Rice University**  
**Notes to Consolidated Financial Statements**  
**June 30, 2022 and 2021**

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*(all dollar amounts in thousands)*

agreement upon the request of the general partner. At June 30, 2022 and 2021, for private equity and market alternative investments, the University had unfunded commitments of approximately \$1,325,924 and \$1,192,000, respectively, which are expected to be called primarily over the next five to seven years.

Additionally, the University was committed under contracts at June 30, 2022 and 2021 for capital construction and improvements and major maintenance of approximately \$98,615 and \$51,330, respectively, to be financed primarily from gifts and net assets designated for long-term investments, and from debt to the extent other resources are not available. Other purchasing commitments of approximately \$8,957 and \$15,182 were also outstanding at June 30, 2022 and 2021, respectively.

**17. Title IV Supplementary Information**

The University participates in federal Title IV student financial assistance programs, which require it to meet standards of financial responsibility based on criteria determined by the U.S. Department of Education (ED), as set forth in 34 CFR 668.171. The criteria for private institutions include the annual calculation by ED of a financial responsibility composite score, as further outlined in 34 CFR 668.172, using audited consolidated financial statements submitted through ED's eZ-Audit system. The composite score has been and will continue to be based on the three ratios: Primary Reserve, Equity, and Net Income. These ratios utilize the following financial data of the University, which are not otherwise presented in the consolidated financial statements or other notes to the consolidated financial statements, as of and for the year ended June 30, 2022.

**William Marsh Rice University**  
**Notes to Consolidated Financial Statements**  
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(all dollar amounts in thousands)

| Required Input per Standards                             | Ratio Uses      | Input Amount | Related financial statement amount not used as input on supplementary schedule |
|--|-----------------|--------------|--|
| Unsecured related party receivables (pledges receivable) | Primary reserve | \$ 7,386     |  |
| Secured related party receivables (pledges receivable)   |                 | -            |  |
| Contributions receivable from unrelated parties          | N/A             | 189,939      |  |
| Total pledges receivable, net                            | N/A             |              | \$ 197,325   |

|   |                 |              |              |
|---|-----------------|--------------|--------------|
| Property, plant and equipment, net - pre-implementation   | Primary reserve | \$ 1,010,973 |              |
| Property, plant and equipment, net - post-implementation with outstanding debt for original purchase    | Primary reserve | 85,902       |              |
| Property, plant and equipment, net - post-implementation without outstanding debt for original purchase | Primary reserve | 214,019      |              |
| Construction in progress - note 8   | Primary reserve | 115,253      |              |
| Total property, plant and equipment, net  | N/A             |              | \$ 1,426,147 |

|  |                 |            |              |
|--|-----------------|------------|--------------|
| Long term debt - for long-term purposes pre-implementation                 | Primary reserve | \$ 914,311 |              |
| Long term debt - for long-term purposes post-implementation                | Primary reserve | 83,225     |              |
| Commercial paper for construction in progress                              | Primary reserve | 31,605     |              |
| Long term debt - for settlement of treasury lock and unspent capital funds | N/A             |            | 115,529      |
| Total long-term debt   | N/A             |            | \$ 1,144,670 |

|  |                 |           |              |
|--|-----------------|-----------|--------------|
| Annuities with donor restrictions                            | Primary reserve | \$ -      |              |
| Term endowments with donor restrictions                      | Primary reserve | 3,239,944 |              |
| Life income funds with donor restrictions                    | Primary reserve | 40,943    |              |
| Net assets with donor restrictions; restricted in perpetuity | Primary reserve | 1,279,113 |              |
| Other net assets with donor restrictions                     | N/A             |           | 240,516      |
| Total net assets with donor restrictions                     | N/A             |           | \$ 4,800,516 |

**Inputs directly from the statement of activities**

|  |            |            |            |
|--|------------|------------|------------|
| Total revenues and other sources                 | Net income | \$ 901,957 |            |
| Investment earnings distributed                  | Net income | (156,779)  |            |
| Net realized and unrealized gains on investments | Net income | 8,485      |            |
| Net assets released from restrictions            | Net income | 3,026      |            |
| Other nonoperating changes                       | Net income | 2,375      |            |
| Nonoperating activities                          | Net income | 8,744      |            |
|  |            |            | \$ 767,808 |

|                             |            |            |            |
|-----------------------------|------------|------------|------------|
| Total operating expenses    | Net income | \$ 835,735 |            |
| Other nonoperating expenses | Net income | -          |            |
|                             |            |            | \$ 835,735 |

**18. Subsequent Events**

The University evaluated subsequent events from July 1, 2022 to October 31, 2022, the date these consolidated financial statements were issued, for events that occurred after the financial position date that could have a material impact on the University's consolidated financial statements or require disclosure.



**Schedule of Financial Responsibility Data  
and  
Note to Schedule of Financial Responsibility Data**

**William Marsh Rice University**  
**Schedule of Financial Responsibility Data**  
**Year Ended June 30, 2022**

(all dollar amounts in thousands)

| Location in financial statements of related notes   | Financial element  | GAAP financial statement line item or disclosure | Amount used as Ratio Input |
|---|--|--|----------------------------|
| <b>Primary Reserve Ratio: Expendable Net Assets</b> |  |  |                            |
| Consolidated statement of financial position        | Net assets without donor restrictions  | \$ 3,953,918                                     | \$ 3,953,918               |
| Consolidated statement of financial position        | Net assets with donor restrictions   | 4,800,516  | 4,800,516                  |
| Note 17, Title IV Supplementary Information         | Unsecured related party receivable   |  | 7,386                      |
| Consolidated statement of financial position        | Total property and equipment, net  | 1,426,147  | -                          |
| Note 17, Title IV Supplementary Information         | Property, plant and equipment, net - pre-implementation  |  | 1,010,973                  |
| Note 17, Title IV Supplementary Information         | Property, plant and equipment, net - post-implementation with outstanding                      | -  | 85,902                     |
| Note 17, Title IV Supplementary Information         | Property, plant and equipment, net - post-implementation without outstanding debt for original | -  | 214,019                    |
| Note 8, Property and Equipment                      | Construction in progress   | 115,253  | 115,253                    |
| N/A   | Lease right-of-use assets - pre-implementation   | -  | -                          |
| N/A   | Lease right-of-use assets - post-implementation  | -  | -                          |
| N/A   | Intangible assets  | -  | -                          |
| N/A   | Post-employment and pension liabilities  | -  | -                          |
| Consolidated statement of financial position        | Total long-term debt   | 1,144,670  |                            |
| Note 17, Title IV Supplementary Information         | Long term debt - for long-term purposes  |  | 914,311                    |
| Note 17, Title IV Supplementary Information         | Long term debt - for long-term purposes  |  | 83,225                     |
| Note 17, Title IV Supplementary Information         | Commercial paper for construction in progress  |  | 31,605                     |
| N/A   | Liability related to lease right-of-use assets - pre-implementation                            | -  | -                          |
| N/A   | Liability related to lease right-of-use assets - post-implementation                           | -  | -                          |
| N/A   | Annuities with donor restrictions  | -  | -                          |
| Note 17, Title IV Supplementary Information         | Term endowments with donor restrictions  | -  | -                          |
| Note 17, Title IV Supplementary Information         | Life income funds with donor restrictions  |  | 40,943                     |
| Note 17, Title IV Supplementary Information         | Net assets with donor restrictions; restricted in perpetuity                                   |  | 1,279,113                  |

The accompanying note is an integral part of this schedule.

**William Marsh Rice University**  
**Schedule of Financial Responsibility Data**  
**Year Ended June 30, 2022**

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(all dollar amounts in thousands)

**Primary Reserve Ratio: Expenses and Losses**

|   |   |    |         |    |         |
|---|---|----|---------|----|---------|
| Note 17, Title IV Supplementary Information | Total expenses and losses without donor restriction | \$ | 835,735 | \$ | 835,735 |
|---|---|----|---------|----|---------|

**Equity Ratio: Modified Net Assets**

|  |                                       |    |           |    |           |
|--|---------------------------------------|----|-----------|----|-----------|
| Consolidated statement of financial position | Net assets without donor restrictions | \$ | 3,953,918 | \$ | 3,953,918 |
| Consolidated statement of financial position | Net assets with donor restrictions    |    | 4,800,516 |    | 4,800,516 |
| N/A  | Intangible assets                     |    | -         |    | -         |
| N/A  | Unsecured related party receivable    |    | 9,220     |    | 9,220     |

|  |  |    |            |    |            |
|--|--|----|------------|----|------------|
| Consolidated statement of financial position | Total assets                                   | \$ | 10,167,860 | \$ | 10,167,860 |
| N/A  | Lease right-of-use assets - pre-implementation |    | -          |    | -          |
| N/A  | Intangible assets                              |    | -          |    | -          |
| Note 17, Title IV Supplementary Information  | Unsecured related party receivable             |    | 7,386      |    | 7,386      |

**Net Income Ratio:**

|   |   |    |          |    |          |
|---|---|----|----------|----|----------|
| Consolidated statement of activities        | Change in net assets without donor restrictions | \$ | (67,927) | \$ | (67,927) |
| Note 17, Title IV Supplementary Information | Total revenues and gains without donor          |    |          |    | 767,808  |

The accompanying note is an integral part of this schedule.

**William Marsh Rice University**  
**Notes to Schedule of Financial Responsibility Data**  
**Year Ended June 30, 2022**

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*(all dollar amounts in thousands)*

**1. General**

The accompanying schedule of financial responsibility data (the "Schedule") of William Marsh Rice University and its subsidiaries (the "University") provides financial information required by the Department of Education to calculate the primary reserve ratio, equity ratio and net income ratio and the composite score as defined in Subpart L of 34 CFR 668 for the fiscal year-ended June 30, 2022. The financial information in the Schedule has been prepared in accordance with accounting principles generally accepted in the United States of America consistent with the consolidated financial statements. The Schedule is presented for purposes of additional analysis as required by the Department of Education and is not a required part of the consolidated financial statements.

**Schedule of Expenditures of Federal Awards  
and  
Notes to Schedule of Expenditures of Federal Awards**

**William Marsh Rice University**  
**Schedule of Expenditures of Federal Awards**  
**For the Year Ended June 30, 2022**

| Federal Program                                    | Assistance Listing Number | Direct  | Pass-Through | Pass-Through Entity                       | Federal Award Number/<br>Pass-Through Entity Sponsor Number | Total Expenditures | Passed to Sub-Recipients |
|--|---------------------------|---------|--------------|---|---|--------------------|--------------------------|
| <b>Research and Development Cluster</b>            |                           |         |              |   |   |                    |                          |
| US Agency for International Development            |                           |         |              |   |   |                    |                          |
| USAID Foreign Assistance for Programs Overseas     | 98.001                    | \$ -    | \$ 3,871     | Arizona State University                  | ASUB00000349  | \$ 3,871           | \$ -                     |
| U.S. Agency for International Development          | 98.RD                     | 962     | -            |   | 7200AA18FA0016  | 962                | -                        |
| U.S. Agency for International Development          | 98.RD                     | -       | 324,523      | UT MD Anderson Cancer Center              | 3001416765  | 324,523            | -                        |
|  |                           | 962     | 328,394      |   |   | 329,356            | -                        |
| Department of Agriculture                          |                           |         |              |   |   |                    |                          |
| Small Business Innovation Research                 | 10.212                    | -       | 2,728        | Sentinel Environmental Group LLC          | RRU-0220202   | 2,728              | -                        |
| Small Business Innovation Research                 | 10.212                    | -       | 86,941       | Sentinel Environmental Group LLC          | RRU-0920203   | 86,941             | -                        |
| Biotechnology Risk Assessment Research             | 10.219                    | 111,089 | -            |   |   | 111,089            | 19,269                   |
| Agriculture and Food Research Initiative (AFRI)    | 10.310                    | 2,658   | -            |   |   | 2,658              | -                        |
| National Forest Foundation                         | 10.682                    | -       | 34,224       | US Endowment for Forestry and Communities | 21-00179  | 34,224             | -                        |
| United Soybean Board                               | 10.RD                     | -       | 102,360      | SmithBucklin Corporation                  | 2240-352-0509-C   | 102,360            | -                        |
| United Soybean Board                               | 10.RD                     | -       | 18,555       | SmithBucklin Corporation                  | USB Project#2140-352  | 18,555             | -                        |
|  |                           | 113,747 | 244,808      |   |   | 358,555            | 19,269                   |
| Department of Commerce                             |                           |         |              |   |   |                    |                          |
| Climate and Atmospheric Research                   | 11.431                    | 86,585  | -            |   |   | 86,585             | 2,055                    |
| Coral Reef Conservation Program                    | 11.482                    | 1,552   | -            |   |   | 1,552              | 439                      |
| Measurement and Engineering Research and Standards | 11.609                    | 85,609  | -            |   |   | 85,609             | -                        |
| Measurement and Engineering Research and Standards | 11.609                    | -       | 443,646      | Colorado State University                 | G-99042-07  | 443,646            | -                        |
|  |                           | 173,746 | 443,646      |   |   | 617,392            | 2,494                    |

The accompanying notes are an integral part of the schedule of expenditures of federal awards.

**William Marsh Rice University**  
**Schedule of Expenditures of Federal Awards**  
**For the Year Ended June 30, 2022**

| Federal Program  | Assistance     | Direct    | Pass-Through | Pass-Through Entity                                 | Federal Award Number/              | Total Expenditures | Passed to Sub-Recipients |
|--|----------------|-----------|--------------|---|------------------------------------|--------------------|--------------------------|
|  | Listing Number |           |              |   | Pass-Through Entity Sponsor Number |                    |                          |
| Department of Defense  |                |           |              |   |                                    |                    |                          |
| Basic and Applied Scientific Research                            | 12.300         | -         | 12,834       | Virginia Polytechnic Institute and State University | 450859-19510                       | 12,834             | -                        |
| Office of Naval Research   | 12.300         | 4,855,664 | -            |   |                                    | 4,855,664          | 1,159,782                |
| Scientific Research - Combating Weapons of Mass Destruction      | 12.351         | 173,821   | -            |   |                                    | 173,821            | -                        |
| Military Medical Research and Development                        | 12.420         | -         | 527,622      | Advanced Technology International                   | 2021-538 01                        | 527,622            | 162,634                  |
| Military Medical Research and Development                        | 12.420         | -         | 12,911       | The Methodist Hospital Research Institute           | AGMT00007730                       | 12,911             | -                        |
| Military Medical Research and Development                        | 12.420         | -         | 20,625       | Wake Forest University Health Sciences (WFUHS)      | WFUHS441071BCF01 W81               | 20,625             | -                        |
| Military Medical Research and Development                        | 12.420         | -         | 274,888      | YB Numerics Inc                                     | 21-0566                            | 274,888            | -                        |
| US Army Medical Research Acquisition Activity                    | 12.420         | 259,381   | -            |   |                                    | 259,381            | -                        |
| Basic Scientific Research  | 12.431         | -         | 43,498       | Brown University                                    | 850                                | 43,498             | -                        |
| Basic Scientific Research  | 12.431         | -         | 142,400      | University of California at Santa Barbara           | KK1814                             | 142,400            | -                        |
| Basic Scientific Research  | 12.431         | -         | 49,140       | University of Notre Dame                            | 208147RC                           | 49,140             | -                        |
| Army Research Laboratory   | 12.431         | 2,709,328 | -            |   |                                    | 2,709,328          | 14,108                   |
| Army Research Office   | 12.431         | 685,316   | -            |   |                                    | 685,316            | -                        |
| Office of Naval Research   | 12.431         | 27,269    | -            |   |                                    | 27,269             | -                        |
| Basic, Applied, and Advanced Research in Science and Engineering | 12.630         | 1,686,359 | -            |   |                                    | 1,686,359          | 1,067,370                |
| Air Force Defense Research Sciences Program                      | 12.800         | -         | 20,000       | Azimuth Corporation                                 | 238-009-Rice                       | 20,000             | -                        |
| Air Force Defense Research Sciences Program                      | 12.800         | -         | 90,000       | Clarkson Aerospace Corporation                      | RICE A 21-1-0460                   | 90,000             | -                        |
| Air Force Defense Research Sciences Program                      | 12.800         | -         | 14,625       | Clarkson Aerospace Corporation                      | RICE T 21-1-0460                   | 14,625             | -                        |
| Air Force Defense Research Sciences Program                      | 12.800         | -         | 23,987       | Ohio State University                               | SPC-1000006253/GR126730            | 23,987             | -                        |
| Air Force Defense Research Sciences Program                      | 12.800         | -         | 46,632       | Stanford University                                 | 62702191-227888                    | 46,632             | -                        |
| Air Force Defense Research Sciences Program                      | 12.800         | -         | 10,683       | Stanford University                                 | 62718250-202251                    | 10,683             | -                        |
| Air Force Office of Scientific Research                          | 12.800         | 1,922,263 | -            |   |                                    | 1,922,263          | 385,536                  |
| Research and Technology Development                              | 12.910         | -         | 1,497,263    | Northwestern University                             | 60059016 RICE                      | 1,497,263          | -                        |

The accompanying notes are an integral part of the schedule of expenditures of federal awards.

**William Marsh Rice University**  
**Schedule of Expenditures of Federal Awards**  
**For the Year Ended June 30, 2022**

| Federal Program   | Assistance     | Direct            | Pass-Through     | Pass-Through Entity               | Federal Award Number/              | Total Expenditures | Passed to Sub-Recipients |
|---|----------------|-------------------|------------------|-----------------------------------|------------------------------------|--------------------|--------------------------|
|   | Listing Number |                   |                  |                                   | Pass-Through Entity Sponsor Number |                    |                          |
| Research and Technology Development                       | 12.910         | -                 | 149,186          | The John B Pierce Laboratory Inc  | 276-C                              | 149,186            | -                        |
| Research and Technology Development                       | 12.910         | -                 | 765,029          | University of Pittsburgh          | AWD00001593 (4160523)              | 765,029            | -                        |
| Defense Advanced Research Projects Agency                 | 12.910         | 2,034,345         | -                |                                   |                                    | 2,034,345          | 118,160                  |
| Air Force Office of Scientific Research                   | 12.RD          | -                 | 4,059            | Ohio State University             | SPC-1000006254/GR126772            | 4,059              | -                        |
| Air Force Office of Scientific Research                   | 12.RD          | -                 | 28,763           | Pennsylvania State University     | 5802-RU-AFOSR-0072                 | 28,763             | -                        |
| Air Force Research Laboratory                             | 12.RD          | -                 | 58,721           | Clarkson Aerospace Corporation    | RICE V 21-1-0460                   | 58,721             | -                        |
| Air Force Research Laboratory                             | 12.RD          | -                 | 180,527          | UES Inc                           | S-119-005-003                      | 180,527            | -                        |
| Defense Advanced Research Projects Agency                 | 12.RD          | 205,382           | -                |                                   | HR00112190062                      | 205,382            | -                        |
| Department of Defense                                     | 12.RD          | 97,224            | -                |                                   | H98230-20-C-0245                   | 97,224             | -                        |
| Office of Naval Research                                  | 12.RD          | 3,775,743         | -                |                                   | N6600119C4020                      | 3,775,743          | 2,963,438                |
| Small Business innovation Research                        | 12.RD          | -                 | 19,500           | DexMat, Inc.                      | 2021-11-01                         | 19,500             | -                        |
| US Army   | 12.RD          | -                 | 294,113          | Skylark Wireless LLC              | 20-1048                            | 294,113            | -                        |
| US Army   | 12.RD          | -                 | 33,131           | Stealth Armor Labs Incorporated   | 07262021                           | 33,131             | -                        |
| US Army   | 12.RD          | -                 | 1,657            | Translume Inc                     | 20-0312                            | 1,657              | -                        |
| US Army Combat Capabilities Development Command-Armament  | 12.RD          | -                 | 1,078            | Stealth Armor Labs Incorporated   | 8052019                            | 1,078              | -                        |
| US Army Medical Research Acquisition Activity             | 12.RD          | -                 | 60,329           | RegenMed Development Organization | 2017-601-002 Rice                  | 60,329             | -                        |
|   |                | <u>18,432,095</u> | <u>4,383,201</u> |                                   |                                    | <u>22,815,296</u>  | <u>5,871,028</u>         |
| Department of Education                                   |                |                   |                  |                                   |                                    |                    |                          |
| Overseas Programs - Doctoral Dissertation Research Abroad | 84.022         | 14,092            | -                |                                   |                                    | 14,092             | -                        |
| Education Research, Development and Dissemination         | 84.305         | 585,000           | -                |                                   |                                    | 585,000            | -                        |
| Education Research, Development and Dissemination         | 84.305         | -                 | 24,982           | Harvard University                | 108164-5114653                     | 24,982             | -                        |
| Research in Special Education                             | 84.324         | 295,124           | -                |                                   |                                    | 295,124            | 156,422                  |
|   |                | <u>894,216</u>    | <u>24,982</u>    |                                   |                                    | <u>919,198</u>     | <u>156,422</u>           |

The accompanying notes are an integral part of the schedule of expenditures of federal awards.



**William Marsh Rice University**  
**Schedule of Expenditures of Federal Awards**  
**For the Year Ended June 30, 2022**

| Federal Program   | Assistance     | Direct    | Pass-Through | Pass-Through Entity   | Federal Award Number/              | Total Expenditures | Passed to Sub-Recipients |
|---|----------------|-----------|--------------|---|------------------------------------|--------------------|--------------------------|
|   | Listing Number |           |              |   | Pass-Through Entity Sponsor Number |                    |                          |
| Department of Energy  |                |           |              |   |                                    |                    |                          |
| Lawrence Livermore National Laboratory  | 81.041         | -         | 294,470      | Lawrence Livermore National Laboratory  | B645220                            | 294,470            | -                        |
| University of California Ernest Orlando Lawrence Berkeley National Laboratory | 81.041         | -         | 50,153       | University of California Ernest Orlando Lawrence Berkeley National Laboratory | 7580157                            | 50,153             | -                        |
| Office of Science Financial Assistance Program                                | 81.049         | 3,036,590 | -            |   |                                    | 3,036,590          | -                        |
| Office of Science Financial Assistance Program                                | 81.049         | -         | 14,868       | Baylor University   | 1001094-2; PO# ORD0013072          | 14,868             | -                        |
| Office of Science Financial Assistance Program                                | 81.049         | -         | 149,520      | Emory University  | A054366                            | 149,520            | -                        |
| Office of Science Financial Assistance Program                                | 81.049         | -         | 63,736       | Emory University  | A585966                            | 63,736             | -                        |
| Office of Science Financial Assistance Program                                | 81.049         | -         | 116,458      | Pennsylvania State University   | S001225-USDOE                      | 116,458            | -                        |
| Office of Science Financial Assistance Program                                | 81.049         | -         | 130,208      | University of Illinois at Urbana  | 097200-17623                       | 130,208            | -                        |
| Office of Science Financial Assistance Program                                | 81.049         | -         | 28,863       | University of Maryland at College Park  | 93209-Z710521                      | 28,863             | -                        |
| Los Alamos National Laboratory  | 81.049         | -         | 115,256      | Los Alamos National Laboratory  | 618252                             | 115,256            | -                        |
| Conservation Research and Development   | 81.086         | -         | 176          | University of Houston   | R-19-0078                          | 176                | -                        |
| Conservation Research and Development   | 81.086         | -         | 108,255      | University of Houston   | R-20-0003                          | 108,255            | -                        |
| Conservation Research and Development   | 81.086         | -         | 76,252       | Worcester Polytechnic Institute   | 10687-GR                           | 76,252             | -                        |
| Renewable Energy Research and Development                                     | 81.087         | 663,297   | -            |   |                                    | 663,297            | 207,493                  |
| Renewable Energy Research and Development                                     | 81.087         | -         | 3,000        | University of Delaware  | UDR0000015                         | 3,000              | -                        |
| Renewable Energy Research and Development                                     | 81.087         | -         | 345,775      | University of Utah  | 10039612-Rice 3-2417-AF1           | 345,775            | 292,028                  |
| Fossil Energy Research and Development  | 81.089         | 268,508   | -            |   |                                    | 268,508            | 60,000                   |
| Stewardship Science Grant Program   | 81.112         | 125,955   | -            |   |                                    | 125,955            | 49,082                   |
| Lawrence Livermore National Laboratory  | 81.123         | -         | 51,767       | Lawrence Livermore National Laboratory  | B650752                            | 51,767             | -                        |
| Advanced Research Projects Agency - Energy                                    | 81.135         | 628,068   | -            |   |                                    | 628,068            | -                        |
| Advanced Research Projects Agency - Energy                                    | 81.135         | -         | 31,747       | Fervo Energy Company  | FE-001                             | 31,747             | -                        |
| Argonne National Laboratory   | 81.RD          | -         | 21,463       | Argonne National Laboratory   | 1F-60556                           | 21,463             | -                        |
| Argonne National Laboratory   | 81.RD          | -         | 125,384      | Argonne National Laboratory   | 9F-60073                           | 125,384            | -                        |

The accompanying notes are an integral part of the schedule of expenditures of federal awards.

**William Marsh Rice University**  
**Schedule of Expenditures of Federal Awards**  
**For the Year Ended June 30, 2022**

| Federal Program   | Assistance     | Direct | Pass-Through     | Pass-Through Entity   | Federal Award Number/              | Total Expenditures | Passed to Sub-Recipients |
|---|----------------|--------|------------------|---|------------------------------------|--------------------|--------------------------|
|   | Listing Number |        |                  |   | Pass-Through Entity Sponsor Number |                    |                          |
| Brookhaven National Laboratory  | 81.RD          | -      | 504              | Brookhaven National Laboratory  | 389409                             | 504                | -                        |
| Fermi National Accelerator Lab  | 81.RD          | -      | 275,928          | Fermi National Accelerator Lab  | 656176                             | 275,928            | -                        |
| Fermi National Accelerator Lab  | 81.RD          | -      | 72,357           | Fermi National Accelerator Lab  | 656462 WBS 13.2019.0               | 72,357             | -                        |
| Fermi National Accelerator Lab  | 81.RD          | -      | 280,465          | Fermi National Accelerator Lab  | 664382                             | 280,465            | -                        |
| Fermi National Accelerator Lab  | 81.RD          | -      | 15,780           | Fermi National Accelerator Lab  | 673828                             | 15,780             | -                        |
| Oak Ridge National Laboratory   | 81.RD          | -      | 774,517          | Oak Ridge National Laboratory   | 4000194281 (prev 4000151982)       | 774,517            | 71,778                   |
| Sandia National Laboratories  | 81.RD          | -      | 18,011           | Sandia National Laboratories  | 2301651                            | 18,011             | -                        |
| Sandia National Laboratories  | 81.RD          | -      | 247              | Sandia National Laboratories  | 2348807                            | 247                | -                        |
| Sandia National Laboratories  | 81.RD          | -      | 19,526           | Sandia National Laboratories  | PO # 2230726                       | 19,526             | -                        |
| UT Battelle- LLC  | 81.RD          | -      | 89,786           | UT Battelle- LLC  | 4000192800                         | 89,786             | -                        |
| UT Battelle- LLC  | 81.RD          | -      | 72,334           | UT Battelle- LLC  | 4000192810                         | 72,334             | -                        |
| University of California Ernest Orlando Lawrence Berkeley National Laboratory | 81.RD          | -      | 888              | University of California Ernest Orlando Lawrence Berkeley National Laboratory | 7501364                            | 888                | -                        |
| University of California Ernest Orlando Lawrence Berkeley National Laboratory | 81.RD          | -      | 91,863           | University of California Ernest Orlando Lawrence Berkeley National Laboratory | 7501365                            | 91,863             | -                        |
| University of California Ernest Orlando Lawrence Berkeley National Laboratory | 81.RD          | -      | 297,648          | University of California Ernest Orlando Lawrence Berkeley National Laboratory | 7542386                            | 297,648            | -                        |
| University of California Ernest Orlando Lawrence Berkeley National Laboratory | 81.RD          | -      | 18,261           | University of California Ernest Orlando Lawrence Berkeley National Laboratory | 7568461                            | 18,261             | -                        |
| University of California Ernest Orlando Lawrence Berkeley National Laboratory | 81.RD          | -      | 122,330          | University of California Ernest Orlando Lawrence Berkeley National Laboratory | 7609509                            | 122,330            | -                        |
| University of California Ernest Orlando Lawrence Berkeley National Laboratory | 81.RD          | -      | 7,679            | University of California Ernest Orlando Lawrence Berkeley National Laboratory | 7616367                            | 7,679              | -                        |
|   |                |        | <u>4,722,418</u> | <u>3,885,475</u>  |                                    | <u>8,607,893</u>   | <u>680,381</u>           |

The accompanying notes are an integral part of the schedule of expenditures of federal awards.

**William Marsh Rice University**  
**Schedule of Expenditures of Federal Awards**  
**For the Year Ended June 30, 2022**

| Federal Program   | Assistance<br>Listing<br>Number | Direct  | Pass-<br>Through | Pass-Through Entity                               | Federal Award Number/<br>Pass-Through Entity<br>Sponsor Number | Total<br>Expenditures | Passed to<br>Sub-Recipients |
|---|---------------------------------|---------|------------------|---|--|-----------------------|-----------------------------|
| Department of Health and Human Services   |                                 |         |                  |   |  |                       |                             |
| Agency for Healthcare Research and Quality  |                                 |         |                  |   |  |                       |                             |
| Research on Healthcare Costs, Quality and Outcomes  | 93.226                          | -       | 101,610          | Baylor College of Medicine                        | 7000001040   | 101,610               | -                           |
| Centers for Disease Control and Prevention  |                                 |         |                  |   |  |                       |                             |
| Public Health Emergency Response: Cooperative Agreement for Emergency Response: Public Health Crisis Response | 93.354                          | -       | 29,244           | City of Houston                                   | SPD-JSA-12302020-001   | 29,244                | -                           |
| Food and Drug Administration  |                                 |         |                  |   |  |                       |                             |
| Food and Drug Administration Research   | 93.103                          | -       | 154,432          | Baylor College of Medicine                        | PO# 7000000757   | 154,432               | 50,000                      |
| National Institutes of Health   |                                 |         |                  |   |  |                       |                             |
| Environmental Health  | 93.113                          | 331,144 | -                |   |  | 331,144               | -                           |
| Environmental Health  | 93.113                          | -       | 4,304            | Colorado State University                         | G-63857-02   | 4,304                 | -                           |
| Oral Diseases and Disorders Research  | 93.121                          | 978,316 | -                |   |  | 978,316               | 279,908                     |
| Oral Diseases and Disorders Research  | 93.121                          | -       | 3,751            | University of Texas Health Science Center-Houston | AGT004121  | 3,751                 | -                           |
| Oral Diseases and Disorders Research  | 93.121                          | -       | 105,100          | University of Texas Health Science Center-Houston | SA0000363  | 105,100               | -                           |
| NIEHS Superfund Hazardous Substances_Basic Research and Education   | 93.143                          | -       | 353,697          | Baylor College of Medicine                        | 7000001161   | 353,697               | -                           |
| NIEHS Superfund Hazardous Substances_Basic Research and Education   | 93.143                          | -       | 292,187          | Baylor College of Medicine                        | 7000001167   | 292,187               | -                           |
| Human Genome Research   | 93.172                          | 120,951 | -                |   |  | 120,951               | -                           |
| Human Genome Research   | 93.172                          | -       | 350,928          | Georgia Institute of Technology                   | AWD-002078-G1  | 350,928               | -                           |
| Research Related to Deafness and Communication Disorders  | 93.173                          | (1,397) | -                |   |  | (1,397)               | -                           |
| Research Related to Deafness and Communication Disorders  | 93.173                          | -       | 34,606           | Baylor College of Medicine                        | 7000000185   | 34,606                | -                           |
| Research Related to Deafness and Communication Disorders  | 93.173                          | -       | 66,952           | University of Chicago                             | FP057336-03-PR-A   | 66,952                | -                           |
| Research Related to Deafness and Communication Disorders  | 93.173                          | -       | 732              | University of Texas at Austin                     | UTA16-000956   | 732                   | -                           |

The accompanying notes are an integral part of the schedule of expenditures of federal awards.

**William Marsh Rice University**  
**Schedule of Expenditures of Federal Awards**  
**For the Year Ended June 30, 2022**

| Federal Program  | Assistance     | Direct    | Pass-Through | Pass-Through Entity                                 | Federal Award Number/              | Total Expenditures | Passed to Sub-Recipients |
|--|----------------|-----------|--------------|---|------------------------------------|--------------------|--------------------------|
|  | Listing Number |           |              |   | Pass-Through Entity Sponsor Number |                    |                          |
| Mental Health Research Grants  | 93.242         | -         | 7,622        | Baylor College of Medicine                          | 7000000368                         | 7,622              | -                        |
| Mental Health Research Grants  | 93.242         | -         | 52,160       | Baylor College of Medicine                          | 7000001371                         | 52,160             | -                        |
| Mental Health Research Grants  | 93.242         | -         | 67,845       | Baylor College of Medicine                          | PO#7000000786                      | 67,845             | -                        |
| Mental Health Research Grants  | 93.242         | -         | 1,639        | Icahn School of Medicine at Mount Sinai (ISMMS)     | 0255-F161-4609                     | 1,639              | -                        |
| Mental Health Research Grants  | 93.242         | -         | 237,647      | Spike Gadgets                                       | 20-0161                            | 237,647            | -                        |
| Mental Health Research Grants  | 93.242         | -         | 148,742      | Virginia Polytechnic Institute and State University | 412600-19510                       | 148,742            | -                        |
| Discovery and Applied Research for Technological Innovations to Improve Human Health | 93.286         | 1,462,388 | -            |   |                                    | 1,462,388          | 71,442                   |
| Discovery and Applied Research for Technological Innovations to Improve Human Health | 93.286         | -         | 64,638       | Tufts University                                    | NIH149 PO# EP0202326               | 64,638             | -                        |
| Discovery and Applied Research for Technological Innovations to Improve Human Health | 93.286         | -         | 103,501      | University of Kentucky                              | 7800005360                         | 103,501            | -                        |
| Discovery and Applied Research for Technological Innovations to Improve Human Health | 93.286         | -         | 445,975      | University of Maryland at College Park              | 48191-Z0005201                     | 445,975            | -                        |
| Minority Health and Health Disparities Research                                      | 93.307         | -         | (547)        | University of Utah                                  | 10044779-02; PO#U000               | (547)              | -                        |
| Trans-NIH Research Support   | 93.310         | 951,716   | -            |   |                                    | 951,716            | 382,645                  |
| Trans-NIH Research Support   | 93.310         | -         | 26,772       | Baylor College of Medicine                          | 7000001343                         | 26,772             | -                        |
| Trans-NIH Research Support   | 93.310         | -         | 8,237        | University of Texas at El Paso                      | 226141289D                         | 8,237              | -                        |
| National Center for Advancing Translational Sciences                                 | 93.350         | -         | 39,923       | University of Texas Health Science Center-Houston   | SA0000143                          | 39,923             | -                        |
| National Center for Advancing Translational Sciences                                 | 93.350         | -         | 54,932       | University of Texas Health Science Center-Houston   | SA0002201                          | 54,932             | -                        |
| Cancer Cause and Prevention Research   | 93.393         | 691,698   | -            |   |                                    | 691,698            | 251,934                  |
| Cancer Cause and Prevention Research   | 93.393         | -         | 4,700        | University of Utah                                  | 10045740-04; PO #U000358313        | 4,700              | -                        |
| Cancer Detection and Diagnosis Research  | 93.394         | 807,327   | -            |   |                                    | 807,327            | 357,763                  |
| Cancer Detection and Diagnosis Research  | 93.394         | -         | 22,723       | Baylor College of Medicine                          | 7000000421                         | 22,723             | -                        |
| Cancer Detection and Diagnosis Research  | 93.394         | -         | 1,929        | Baylor College of Medicine                          | PO #5601046168                     | 1,929              | -                        |
| Cancer Detection and Diagnosis Research  | 93.394         | -         | (34)         | Yale University                                     | CON-80001865- GR1072               | (34)               | -                        |
| Cancer Treatment Research  | 93.395         | 345,137   | -            |   |                                    | 345,137            | 21,357                   |

The accompanying notes are an integral part of the schedule of expenditures of federal awards.

**William Marsh Rice University**  
**Schedule of Expenditures of Federal Awards**  
**For the Year Ended June 30, 2022**

| Federal Program  | Assistance     | Direct    | Pass-Through | Pass-Through Entity                        | Federal Award Number/              | Total Expenditures | Passed to Sub-Recipients |
|--|----------------|-----------|--------------|--|------------------------------------|--------------------|--------------------------|
|  | Listing Number |           |              |  | Pass-Through Entity Sponsor Number |                    |                          |
| Cancer Treatment Research  | 93.395         | -         | 208,581      | Baylor College of Medicine                 | 7000000855                         | 208,581            | -                        |
| Cancer Treatment Research  | 93.395         | -         | 33,130       | Massachusetts General Hospital             | 239889                             | 33,130             | -                        |
| Cancer Treatment Research  | 93.395         | -         | 12,424       | UT MD Anderson Cancer Center               | 3001815640                         | 12,424             | -                        |
| Cancer Treatment Research  | 93.395         | -         | 2,205        | UT MD Anderson Cancer Center               | PO3001215 Ref #6148                | 2,205              | -                        |
| Cancer Biology Research  | 93.396         | 387,312   | -            |  |                                    | 387,312            | 143,361                  |
| Cancer Biology Research  | 93.396         | -         | 41,893       | Cedars-Sinai Medical Center                | 1716864                            | 41,893             | -                        |
| Cancer Biology Research  | 93.396         | -         | 97,085       | University of Kentucky Research Foundation | 3200001158-18048;PO#780000394      | 97,085             | -                        |
| Cancer Centers Support Grants  | 93.397         | -         | 36,476       | Baylor College of Medicine                 | 7000001523                         | 36,476             | -                        |
| Cancer Research Manpower   | 93.398         | 118,734   | -            |  |                                    | 118,734            | -                        |
| Cardiovascular Diseases Research   | 93.837         | 813,109   | -            |  |                                    | 813,109            | 372,887                  |
| Cardiovascular Diseases Research   | 93.837         | -         | 57,797       | Baylor College of Medicine                 | 7000000327                         | 57,797             | -                        |
| Cardiovascular Diseases Research   | 93.837         | -         | 89,524       | Texas Heart Institute                      | 1R01HL 144683-01A1                 | 89,524             | -                        |
| Lung Diseases Research   | 93.838         | 509,908   | -            |  |                                    | 509,908            | -                        |
| Blood Diseases and Resources Research  | 93.839         | 908,264   | -            |  |                                    | 908,264            | 390,630                  |
| Blood Diseases and Resources Research  | 93.839         | -         | 72,042       | Joslin Diabetes Center Inc                 | 002683-01                          | 72,042             | -                        |
| Arthritis, Musculoskeletal and Skin Diseases Research                        | 93.846         | 45,803    | -            |  |                                    | 45,803             | -                        |
| Diabetes, Digestive, and Kidney Diseases Extramural Research                 | 93.847         | 785,295   | -            |  |                                    | 785,295            | -                        |
| Diabetes, Digestive, and Kidney Diseases Extramural Research                 | 93.847         | -         | 142,747      | Baylor College of Medicine                 | 7000000357                         | 142,747            | -                        |
| Diabetes, Digestive, and Kidney Diseases Extramural Research                 | 93.847         | -         | 169,453      | University of Washington                   | UWSC13662; BPO #65432              | 169,453            | -                        |
| Diabetes, Digestive, and Kidney Diseases Extramural Research                 | 93.847         | -         | 82,111       | Washington University                      | PO#ST00000428; WU-19-1             | 82,111             | -                        |
| Extramural Research Programs in the Neurosciences and Neurological Disorders | 93.853         | 2,453,471 | -            |  |                                    | 2,453,471          | 624,943                  |
| Extramural Research Programs in the Neurosciences and Neurological Disorders | 93.853         | -         | 9,531        | Baylor College of Medicine                 | 7000000956                         | 9,531              | -                        |
| Extramural Research Programs in the Neurosciences and Neurological Disorders | 93.853         | -         | 86,298       | Baylor College of Medicine                 | 7000001032                         | 86,298             | -                        |

The accompanying notes are an integral part of the schedule of expenditures of federal awards.

**William Marsh Rice University**  
**Schedule of Expenditures of Federal Awards**  
**For the Year Ended June 30, 2022**

| Federal Program  | Assistance     | Direct    | Pass-Through | Pass-Through Entity                               | Federal Award Number/              | Total Expenditures | Passed to Sub-Recipients |
|--|----------------|-----------|--------------|---|------------------------------------|--------------------|--------------------------|
|  | Listing Number |           |              |   | Pass-Through Entity Sponsor Number |                    |                          |
| Extramural Research Programs in the Neurosciences and Neurological Disorders | 93.853         | -         | 2,193        | Baylor College of Medicine                        | 7000001183                         | 2,193              | -                        |
| Extramural Research Programs in the Neurosciences and Neurological Disorders | 93.853         | -         | 1,536        | Baylor College of Medicine                        | 7000001246                         | 1,536              | -                        |
| Extramural Research Programs in the Neurosciences and Neurological Disorders | 93.853         | -         | 2,690        | Baylor College of Medicine                        | 7000001400                         | 2,690              | -                        |
| Extramural Research Programs in the Neurosciences and Neurological Disorders | 93.853         | -         | 50,463       | Baylor College of Medicine                        | PO # 7000001355                    | 50,463             | -                        |
| Extramural Research Programs in the Neurosciences and Neurological Disorders | 93.853         | -         | 14,068       | Michigan State University                         | RC112490B                          | 14,068             | -                        |
| Extramural Research Programs in the Neurosciences and Neurological Disorders | 93.853         | -         | 150,297      | The Rockefeller University                        | 1RF1NS110501-01                    | 150,297            | -                        |
| Extramural Research Programs in the Neurosciences and Neurological Disorders | 93.853         | -         | 18,510       | The TAMU System Health Science Center             | M1803923                           | 18,510             | -                        |
| Extramural Research Programs in the Neurosciences and Neurological Disorders | 93.853         | -         | 18,808       | UT MD Anderson Cancer Center                      | 3001956226                         | 18,808             | -                        |
| Extramural Research Programs in the Neurosciences and Neurological Disorders | 93.853         | -         | 7,094        | University of Texas Health Science Center-Houston | SA0000017                          | 7,094              | -                        |
| Allergy and Infectious Diseases Research                                     | 93.855         | 1,158,286 | -            |   |                                    | 1,158,286          | 4,726                    |
| Allergy and Infectious Diseases Research                                     | 93.855         | -         | 118,934      | Baylor College of Medicine                        | PO#7000001433                      | 118,934            | -                        |
| Allergy and Infectious Diseases Research                                     | 93.855         | -         | 71,030       | The Methodist Hospital Research Institute         | AGMT00007883                       | 71,030             | -                        |
| Allergy and Infectious Diseases Research                                     | 93.855         | -         | 151,357      | The Wistar Institute                              | 25880-02-381                       | 151,357            | -                        |
| Allergy and Infectious Diseases Research                                     | 93.855         | -         | 46,168       | UT MD Anderson Cancer Center                      | PO # 3001741670                    | 46,168             | -                        |
| Allergy and Infectious Diseases Research                                     | 93.855         | -         | 310          | University of Texas Health Science Center-Houston | 0013561A                           | 310                | -                        |
| Allergy and Infectious Diseases Research                                     | 93.855         | -         | 2,037        | University of Texas Health Science Center-Houston | SA0001188                          | 2,037              | -                        |
| Biomedical Research and Research Training                                    | 93.859         | 4,077,733 | -            |   |                                    | 4,077,733          | 131,276                  |
| Biomedical Research and Research Training                                    | 93.859         | -         | 22,003       | Baylor College of Medicine                        | 7000000764                         | 22,003             | -                        |
| Biomedical Research and Research Training                                    | 93.859         | -         | 67,171       | Baylor College of Medicine                        | 7000001257                         | 67,171             | -                        |
| Biomedical Research and Research Training                                    | 93.859         | -         | 62,362       | Baylor College of Medicine                        | PO# 7000001007                     | 62,362             | -                        |
| Biomedical Research and Research Training                                    | 93.859         | -         | 2,914        | North Carolina State University                   | 2017-2356-01                       | 2,914              | -                        |

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**William Marsh Rice University**  
**Schedule of Expenditures of Federal Awards**  
**For the Year Ended June 30, 2022**

| Federal Program  | Assistance     | Direct    | Pass-Through | Pass-Through Entity                               | Federal Award Number/              | Total Expenditures | Passed to Sub-Recipients |
|--|----------------|-----------|--------------|---|------------------------------------|--------------------|--------------------------|
|  | Listing Number |           |              |   | Pass-Through Entity Sponsor Number |                    |                          |
| Biomedical Research and Research Training              | 93.859         | -         | 8,055        | University of Southern California                 | 138431040                          | 8,055              | -                        |
| Biomedical Research and Research Training              | 93.859         | -         | 29,997       | University of Texas Health Science Center-Houston | SA0001191                          | 29,997             | -                        |
| Biomedical Research and Research Training              | 93.859         | -         | 11,880       | University of Texas Health Science Center-Houston | SA0002052                          | 11,880             | -                        |
| Child Health and Human Development Extramural Research | 93.865         | 25,795    | -            |   |                                    | 25,795             | -                        |
| Aging Research   | 93.866         | 1,303,778 | -            |   |                                    | 1,303,778          | 381,420                  |
| Aging Research   | 93.866         | -         | 45,717       | Baylor College of Medicine                        | 7000001606                         | 45,717             | -                        |
| Aging Research   | 93.866         | -         | 62,684       | Baylor College of Medicine                        | PO #7000001370 / R56AG071152       | 62,684             | -                        |
| Aging Research   | 93.866         | -         | 62,618       | Marine Biological Laboratory                      | 54333                              | 62,618             | -                        |
| Aging Research   | 93.866         | -         | 119,956      | The Rockefeller University                        | SUB00000197                        | 119,956            | -                        |
| Vision Research  | 93.867         | 407,327   | -            |   |                                    | 407,327            | 58,373                   |
| Vision Research  | 93.867         | -         | 20,510       | Baylor College of Medicine                        | 7000001547; Prime-T32EY007001      | 20,510             | -                        |
| Vision Research  | 93.867         | -         | 68,842       | University of Texas Health Science Center-Houston | SA0001787                          | 68,842             | -                        |
| Medical Library Assistance                             | 93.879         | 784,661   | -            |   |                                    | 784,661            | 252,193                  |
| Medical Library Assistance                             | 93.879         | -         | 19,934       | University of Washington                          | UWSC10676; BPO033915               | 19,934             | -                        |
| Department of Health and Human Services                | 93.RD          | -         | 75,512       | Baylor College of Medicine                        | 7000001027                         | 75,512             | -                        |
| Department of Health and Human Services                | 93.RD          | -         | 19,997       | Baylor College of Medicine                        | PO #CGA2020-P004                   | 19,997             | -                        |
| Department of Health and Human Services                | 93.RD          | -         | 54,823       | Boston University                                 | 4500003478                         | 54,823             | -                        |
| Department of Health and Human Services                | 93.RD          | -         | 11,999       | City of Houston                                   | 4500329588-0                       | 11,999             | -                        |
| Department of Health and Human Services                | 93.RD          | -         | 20,032       | Houston Independent School District               | PO 8000337975                      | 20,032             | -                        |
| Department of Health and Human Services                | 93.RD          | -         | 78,875       | UT MD Anderson Cancer Center                      | 3001668186                         | 78,875             | -                        |
| Department of Health and Human Services                | 93.RD          | -         | 18,382       | University of Notre Dame                          | 204041-RU-SUPP                     | 18,382             | -                        |
| Department of Health and Human Services                | 93.RD          | -         | 277,263      | University of Notre Dame                          | 204041RU                           | 277,263            | -                        |
| Department of Health and Human Services                | 93.RD          | -         | 122,277      | University of Texas Health Science Center-Houston | SA0000140                          | 122,277            | -                        |

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**William Marsh Rice University**  
**Schedule of Expenditures of Federal Awards**  
**For the Year Ended June 30, 2022**

| Federal Program  | Assistance     | Direct            | Pass-Through     | Pass-Through Entity                               | Federal Award Number/              | Total Expenditures | Passed to Sub-Recipients |
|--|----------------|-------------------|------------------|---|------------------------------------|--------------------|--------------------------|
|  | Listing Number |                   |                  |   | Pass-Through Entity Sponsor Number |                    |                          |
| Department of Health and Human Services  | 93.RD          | -                 | 42,050           | University of Texas Health Science Center-Houston | SA0000646                          | 42,050             | -                        |
| Department of Health and Human Services  | 93.RD          | -                 | 307,813          | University of Texas Medical Branch                | 21-85395-02 PO #0000               | 307,813            | -                        |
|  |                | <u>19,466,756</u> | <u>6,216,405</u> |   |                                    | <u>25,683,161</u>  | <u>3,774,858</u>         |
| Department of Interior   |                |                   |                  |   |                                    |                    |                          |
| Safety and Environmental Research and Data Collection for Offshore Energy and Mineral Activities | 15.441         | -                 | 29,077           | Texas A and M Engineering Experiment Station      | M2102632                           | 29,077             | -                        |
| Bureau of Reclamation (USBR)   | 15.506         | 4,865             | -                |   |                                    | 4,865              | -                        |
|  |                | <u>4,865</u>      | <u>29,077</u>    |   |                                    | <u>33,942</u>      | <u>-</u>                 |
| National Aeronautics & Space Administration  |                |                   |                  |   |                                    |                    |                          |
| Science  | 43.001         | 3,320,841         | -                |   |                                    | 3,320,841          | 677,278                  |
| Science  | 43.001         | -                 | 4,409            | Boston University                                 | 4500004219                         | 4,409              | -                        |
| Science  | 43.001         | -                 | 3,445            | Johns Hopkins University                          | 153786                             | 3,445              | -                        |
| Science  | 43.001         | -                 | 16,527           | Massachusetts Institute of Technology             | S5161 PO #532314                   | 16,527             | -                        |
| Science  | 43.001         | -                 | 39,539           | Michigan Technological University                 | 1911057Z2                          | 39,539             | -                        |
| Science  | 43.001         | -                 | 59,436           | Rutgers University                                | PO# 1371636; SUB# 0642             | 59,436             | -                        |
| Science  | 43.001         | -                 | 42,963           | University Corporation for Atmospheric Research   | SUBAWD002254                       | 42,963             | -                        |
| Science  | 43.001         | -                 | 18,939           | University of Colorado                            | 1561210; PO #1001612145            | 18,939             | -                        |
| Science  | 43.001         | -                 | 111,219          | University of Iowa                                | S00067-01                          | 111,219            | -                        |
| Science  | 43.001         | -                 | 7,020            | University of Washington                          | BPO #30934; Sub No.                | 7,020              | -                        |
| NASA Shared Services Center (NSSC)   | 43.001         | -                 | 70,906           | Johns Hopkins University                          | 161886                             | 70,906             | -                        |
| Exploration  | 43.003         | -                 | 15,428           | University of Central Florida                     | 64016394-01                        | 15,428             | -                        |
| Safety, Security and Mission Services  | 43.009         | 30,629            | -                |   |                                    | 30,629             | -                        |
| Space Technology   | 43.012         | 388,900           | -                |   |                                    | 388,900            | -                        |
| NASA Shared Services Center (NSSC)   | 43.RD          | -                 | 167,108          | Southwest Research Institute                      | 599790Q                            | 167,108            | -                        |

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**William Marsh Rice University**  
**Schedule of Expenditures of Federal Awards**  
**For the Year Ended June 30, 2022**

| Federal Program   | Assistance     | Direct         | Pass-Through     | Pass-Through Entity                  | Federal Award Number/              | Total Expenditures | Passed to Sub-Recipients |
|---|----------------|----------------|------------------|--------------------------------------|------------------------------------|--------------------|--------------------------|
|   | Listing Number |                |                  |                                      | Pass-Through Entity Sponsor Number |                    |                          |
| National Aeronautics and Space Administration: Goddard        | 43.RD          | -              | 28,050           | Atomos Nuclear and Space Corporation | 21-0596                            | 28,050             | -                        |
| National Aeronautics and Space Administration: Goddard        | 43.RD          | -              | 1,061            | Jacobs Engineering Group Inc         | EN21306FMS                         | 1,061              | -                        |
| National Aeronautics and Space Administration: Goddard        | 43.RD          | -              | 55,122           | Jacobs Engineering Group Inc         | PO# EN14917FMS                     | 55,122             | -                        |
| National Aeronautics and Space Administration: Goddard        | 43.RD          | -              | 16,027           | Space Telescope Science Institute    | HST-AR-16129.014-A                 | 16,027             | -                        |
| National Aeronautics and Space Administration: Goddard        | 43.RD          | -              | 1,570            | Space Telescope Science Institute    | HST-GO-15310.001-A                 | 1,570              | -                        |
|   |                |                | <u>3,740,370</u> | <u>658,769</u>                       |                                    | <u>4,399,139</u>   | <u>677,278</u>           |
| National Foundation on the Arts and the Humanities            |                |                |                  |                                      |                                    |                    |                          |
| Promotion of the Arts Grants to Organizations and Individuals | 45.024         | 105,674        | -                |                                      |                                    | 105,674            | -                        |
| Promotion of the Humanities Federal/State Partnership         | 45.129         | -              | 16               | Humanities Texas                     | 2022-6601                          | 16                 | -                        |
| Promotion of the Humanities Research                          | 45.161         | 477            | -                |                                      |                                    | 477                | -                        |
|   |                | <u>106,151</u> | <u>16</u>        |                                      |                                    | <u>106,167</u>     | <u>-</u>                 |
| National Science Foundation                                   |                |                |                  |                                      |                                    |                    |                          |
| Engineering   | 47.041         | 8,308,305      | -                |                                      |                                    | 8,308,305          | 2,246,106                |
| COVID-19 Engineering  | 47.041         | 8,605          | -                |                                      |                                    | 8,605              | -                        |
| Engineering   | 47.041         | -              | 63,383           | Computing Research Association Inc   | 2021CIF-Rice-47                    | 63,383             | -                        |
| Engineering   | 47.041         | -              | 113,737          | Northwestern University              | 60056702 RICE                      | 113,737            | -                        |
| Engineering   | 47.041         | -              | 15,275           | SolMem LLC                           | 21-0146                            | 15,275             | -                        |
| Engineering   | 47.041         | -              | 545,514          | Texas A and M University             | M1801374                           | 545,514            | -                        |
| Engineering   | 47.041         | -              | 65,639           | University of Texas at Austin        | UTA17-001102                       | 65,639             | -                        |
| Engineering   | 47.041         | -              | 99,818           | University of Texas at Austin        | UTA20-000982                       | 99,818             | -                        |
| Engineering   | 47.041         | -              | 10,220           | VenoStent, Inc.                      | 1907220                            | 10,220             | -                        |
| Mathematical and Physical Sciences                            | 47.049         | 9,782,535      | -                |                                      |                                    | 9,782,535          | 1,320,033                |
| COVID-19 Mathematical and Physical Sciences                   | 47.049         | 52,209         | -                |                                      |                                    | 52,209             | -                        |

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**William Marsh Rice University**  
**Schedule of Expenditures of Federal Awards**  
**For the Year Ended June 30, 2022**

| Federal Program                                    | Assistance     | Direct    | Pass-Through | Pass-Through Entity                                 | Federal Award Number/              | Total Expenditures | Passed to Sub-Recipients |
|--|----------------|-----------|--------------|---|------------------------------------|--------------------|--------------------------|
|  | Listing Number |           |              |   | Pass-Through Entity Sponsor Number |                    |                          |
| Mathematical and Physical Sciences                 | 47.049         | -         | 440,801      | Cornell University                                  | 79433-20685                        | 440,801            | -                        |
| Mathematical and Physical Sciences                 | 47.049         | -         | 5,099        | Texas A and M University                            | OMA-203789                         | 5,099              | -                        |
| Mathematical and Physical Sciences                 | 47.049         | -         | 239,716      | University of Houston                               | R-18-0021                          | 239,716            | -                        |
| Mathematical and Physical Sciences                 | 47.049         | -         | 1,000        | University of Notre Dame                            | PHY-1806631 QuarkNet               | 1,000              | -                        |
| Geosciences  | 47.050         | 1,147,176 | -            |   |                                    | 1,147,176          | -                        |
| Geosciences  | 47.050         | -         | 6,169        | Columbia University                                 | 66E (GG009393-04)                  | 6,169              | -                        |
| Geosciences  | 47.050         | -         | 6,169        | Columbia University                                 | 66F (GG009393-04)                  | 6,169              | -                        |
| Geosciences  | 47.050         | -         | (1,790)      | Columbia University                                 | Expedition #385<br>66C(GG009393)   | (1,790)            | -                        |
| Geosciences  | 47.050         | -         | 49,459       | University of California Davis                      | A19-0951-S001                      | 49,459             | -                        |
| Geosciences  | 47.050         | -         | 163,571      | University of the Virgin Islands                    | 203108-02                          | 163,571            | -                        |
| Computer and Information Science and Engineering   | 47.070         | 6,923,036 | -            |   |                                    | 6,923,036          | 384,615                  |
| Computer and Information Science and Engineering   | 47.070         | -         | 605,002      | Platforms for Advanced Wireless Research (PAWR) LLC | Task Order #1                      | 605,002            | -                        |
| Computer and Information Science and Engineering   | 47.070         | -         | 21,412       | University of Notre Dame                            | 203986RU                           | 21,412             | -                        |
| Computer and Information Science and Engineering   | 47.070         | -         | 101,976      | Virginia Polytechnic Institute and State University | 479589-19510                       | 101,976            | -                        |
| Biological Sciences                                | 47.074         | 1,236,952 | -            |   |                                    | 1,236,952          | 13,686                   |
| COVID-19 Biological Sciences                       | 47.074         | 30,479    | -            |   |                                    | 30,479             | -                        |
| Biological Sciences                                | 47.074         | -         | 3,000        | American Society for Engineering Education (ASEE)   |                                    | 3,000              | -                        |
| Biological Sciences                                | 47.074         | -         | 52,640       | Baylor College of Medicine                          | 7000001463                         | 52,640             | -                        |
| Biological Sciences                                | 47.074         | -         | 33,109       | Michigan State University                           | RC110870RU                         | 33,109             | -                        |
| Biological Sciences                                | 47.074         | -         | 7,105        | Ohio State University                               | 1000005378 / GR124403              | 7,105              | -                        |
| Biological Sciences                                | 47.074         | -         | 308,999      | Research Foundation of State University of New York | PO#R1092327                        | 308,999            | -                        |
| Social, Behavioral, and Economic Sciences          | 47.075         | 1,058,935 | -            |   |                                    | 1,058,935          | -                        |
| COVID-19 Social, Behavioral, and Economic Sciences | 47.075         | 35,516    | -            |   |                                    | 35,516             | -                        |
| Education and Human Resources                      | 47.076         | 5,104,962 | -            |   |                                    | 5,104,962          | 126,577                  |
| Education and Human Resources                      | 47.076         | -         | 117,413      | San Jacinto College                                 | NSF534714001                       | 117,413            | -                        |

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**Schedule of Expenditures of Federal Awards**  
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| Federal Program  | Assistance     | Direct            | Pass-Through      | Pass-Through Entity                   | Federal Award Number/              | Total Expenditures | Passed to Sub-Recipients |
|--|----------------|-------------------|-------------------|---------------------------------------|------------------------------------|--------------------|--------------------------|
|  | Listing Number |                   |                   |                                       | Pass-Through Entity Sponsor Number |                    |                          |
| Education and Human Resources  | 47.076         | -                 | 32,614            | University of Houston                 | R-21-0058                          | 32,614             | -                        |
| Polar Programs   | 47.078         | 154,492           | -                 |                                       |                                    | 154,492            | -                        |
| Office of International Science and Engineering  | 47.079         | -                 | 289               | Texas A and M University at Galveston | 10-S161004                         | 289                | -                        |
| Integrative Activities   | 47.083         | 28,592            | -                 |                                       |                                    | 28,592             | -                        |
| NSF Technology, Innovation, and Partnerships   | 47.084         | 1,745             | -                 |                                       |                                    | 1,745              | -                        |
| National Science Foundation  | 47.RD          | -                 | 69,008            | Baylor College of Medicine            | PO #7000000636                     | 69,008             | -                        |
| National Science Foundation  | 47.RD          | -                 | 7,604             | Northeastern University               | 502715-78051                       | 7,604              | -                        |
| National Science Foundation  | 47.RD          | -                 | 17,742            | Raydiant Oximetry, Inc                | NSF #2025901                       | 17,742             | -                        |
|  |                | <u>33,873,539</u> | <u>3,201,693</u>  |                                       |                                    | <u>37,075,232</u>  | <u>4,091,017</u>         |
| <b>Department of The Treasury</b>  |                |                   |                   |                                       |                                    |                    |                          |
| Resources and Ecosystems Sustainability, Tourist Opportunities, and Revived Economies of the Gulf Coast States | 21.015         | -                 | 81,324            | University of Houston                 | R-22-0001                          | 81,324             | -                        |
| Resources and Ecosystems Sustainability, Tourist Opportunities, and Revived Economies of the Gulf Coast States | 21.015         | -                 | 55,316            | University of Houston                 | R-22-0002                          | 55,316             | -                        |
|  |                | <u>-</u>          | <u>136,640</u>    |                                       |                                    | <u>136,640</u>     | <u>-</u>                 |
| Total Research and Development Cluster   |                | <u>81,528,865</u> | <u>19,553,106</u> |                                       |                                    | <u>101,081,971</u> | <u>15,272,747</u>        |
| <b>CCDF Cluster</b>  |                |                   |                   |                                       |                                    |                    |                          |
| <b>Department of Housing and Urban Development</b>   |                |                   |                   |                                       |                                    |                    |                          |
| COVID-19 Child Care and Development Block Grant  | 93.575         | -                 | 420,700           | Texas Workforce Commission            | PO 22-0000202; 3121ADM156          | 420,700            | -                        |
| Total CCDF Cluster   |                | <u>-</u>          | <u>420,700</u>    |                                       |                                    | <u>420,700</u>     | <u>-</u>                 |

The accompanying notes are an integral part of the schedule of expenditures of federal awards.

**William Marsh Rice University**  
**Schedule of Expenditures of Federal Awards**  
**For the Year Ended June 30, 2022**

| Federal Program  | Assistance<br>Listing<br>Number | Direct     | Pass-<br>Through | Pass-Through Entity                         | Federal Award Number/<br>Pass-Through Entity<br>Sponsor Number | Total<br>Expenditures | Passed to<br>Sub-Recipients |
|--|---------------------------------|------------|------------------|---|--|-----------------------|-----------------------------|
| <b>CDBG - Entitlement Grants Cluster</b>                                   |                                 |            |                  |   |  |                       |                             |
| Department of Housing and Urban Development                                |                                 |            |                  |   |  |                       |                             |
| Community Development Block Grants/Entitlement Grants                      | 14.218                          | -          | 554,567          | Harris County Community Services Department | PO# HCNTY-0000001479   | 554,567               | 470,625                     |
| Total CDBG - Entitlement Grants Cluster                                    |                                 | -          | 554,567          |   |  | 554,567               | 470,625                     |
| <b>Student Financial Assistance Cluster</b>                                |                                 |            |                  |   |  |                       |                             |
| Department of Education  |                                 |            |                  |   |  |                       |                             |
| Federal Supplemental Educational Opportunity Grants                        | 84.007                          | 319,621    | -                |   |  | 319,621               | -                           |
| Federal Work-Study Program   | 84.033                          | 126,005    | -                |   |  | 126,005               | -                           |
| Federal Perkins Loans (Note 3)   |                                 |            |                  |   |  |                       |                             |
| Outstanding Loans as of July 1, 2021                                       | 84.038                          | 2,192,538  | -                |   |  | 2,192,538             | -                           |
| New loans issued during 2022   | 84.038                          | -          | -                |   |  | -                     | -                           |
| Federal Pell Grant Program   | 84.063                          | 3,695,172  | -                |   |  | 3,695,172             | -                           |
| Federal Direct Student Loans   | 84.268                          | 28,079,626 | -                |   |  | 28,079,626            | -                           |
| Total Student Financial Assistance Cluster                                 |                                 | 34,412,962 | -                |   |  | 34,412,962            | -                           |
| <b>Other federal programs (instruction and other nonresearch programs)</b> |                                 |            |                  |   |  |                       |                             |
| Other federal programs   |                                 |            |                  |   |  |                       |                             |
| Department of Agriculture  |                                 |            |                  |   |  |                       |                             |
| USDA Forest Service  | 10.664                          | -          | 1,652            | US Endowment for Forestry and Communities   | E19-66   | 1,652                 | -                           |
| Department of Commerce   |                                 |            |                  |   |  |                       |                             |
| Cluster Grants   | 11.020                          | 297,684    | -                |   |  | 297,684               | 100,010                     |
| Minority Business Resource Development                                     | 11.802                          | 539,598    | -                |   |  | 539,598               | 95,081                      |
|  |                                 | 837,282    | -                |   |  | 837,282               | 195,091                     |

The accompanying notes are an integral part of the schedule of expenditures of federal awards.

**William Marsh Rice University**  
**Schedule of Expenditures of Federal Awards**  
**For the Year Ended June 30, 2022**

| Federal Program   | Assistance<br>Listing<br>Number | Direct         | Pass-<br>Through | Pass-Through Entity                       | Federal Award Number/<br>Pass-Through Entity<br>Sponsor Number | Total<br>Expenditures | Passed to<br>Sub-Recipients |
|---|---------------------------------|----------------|------------------|---|--|-----------------------|-----------------------------|
| Department of Education   |                                 |                |                  |   |  |                       |                             |
| Fund for the Improvement of Postsecondary Education                           | 84.116                          | 598,512        | -                |   |  | 598,512               | -                           |
| COVID-19 Governor's Emergency Education Relief (GEER) Fund                    | 84.425C                         | -              | (52,517)         | Texas Higher Education Coordinating Board | 23923  | (52,517)              | -                           |
| Subtotal COVID-19 Governor's Emergency Education Relief (GEER) Fund           |                                 | -              | (52,517)         |   |  | (52,517)              | -                           |
| COVID-19 Higher Education Emergency Relief Fund (HEERF) Student Portion       | 84.425E                         | 5,821,200      | -                |   |  | 5,821,200             | -                           |
| COVID-19 Higher Education Emergency Relief Fund (HEERF) Institutional Portion | 84.425F                         | 596,366        | -                |   |  | 596,366               | -                           |
|   |                                 | 7,016,078      | (52,517)         |   |  | 6,963,561             | -                           |
| Department of Energy  |                                 |                |                  |   |  |                       |                             |
| National Renewable Energy Laboratory  | 81.U01                          | -              | 77,530           | Alliance For Sustainable Energy LLC       |  | 77,530                | -                           |
| National Foundation on the Arts and the Humanities                            |                                 |                |                  |   |  |                       |                             |
| Promotion of the Arts Partnership Agreements                                  | 45.025                          | -              | 1,400            | Texas Commission on the Arts              | 21-77748317  | 1,400                 | -                           |
| Total other federal programs  |                                 | 7,853,360      | 28,065           |   |  | 7,881,425             | 195,091                     |
| Total federal award expenditures  |                                 | \$ 123,795,187 | \$ 20,556,438    |   |  | \$ 144,351,625        | \$ 15,938,463               |

The accompanying notes are an integral part of the schedule of expenditures of federal awards.

# William Marsh Rice University

## Notes to Schedule of Expenditures of Federal Awards

### June 30, 2022

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#### 1. Basis of Presentation

The purpose of the Schedule of Expenditures of Federal Awards (the "Schedule") is to present a summary of the activities of the University for the year ended June 30, 2022, which have been financed by the U.S. Government. The Schedule is presented on the accrual basis of accounting and in accordance with the requirements of Title 2 U.S. *Code of Regulations Part 200, Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards* (Uniform Guidance).

For the purposes of the Schedule, federal awards have been classified into two types:

- Direct federal awards consisting of federal assistance and federal student financial aid, and
- Pass-through funds received from nonfederal organizations made under federally sponsored programs conducted by those organizations.

Because the Schedule presents only a selected portion of the activities of the University, it is not intended to and does not present either the financial position or the activities of the University. Negative numbers in the Schedule represent adjustments to amounts previously reported in the normal course of business. Full Assistance Listing Numbers (ALN) and pass-through numbers are included in the Schedule when available.

Federal programs are presented by federal department and, where applicable, the funding agency within the department. Federal pass-through programs include the entity through which the University received the pass-through federal awards funding. Total expenditures, expenditures which were passed to subrecipients and lost revenues are included.

#### 2. Indirect Costs

For the year ended June 30, 2022, the University has an approved predetermined indirect cost rate agreement. The approved rates for the year ended June 30, 2022 are 55.5% for on-campus instruction, 56.5% for organized research, 34% for on-campus other sponsored activities and 26% for off-campus activities. As such, the 10% de minimis cost rate, as described in Section 200.414 of the Uniform Guidance, is not applicable.

#### 3. Federal Perkins Loan Program

The Federal Perkins Loan Program, ALN 84.038, is administered by a third party service provider, with balances and transactions relating to this program included in the University's financial statements. For the year ended June 30, 2022, federal expenditures presented in the Schedule include loans outstanding at the beginning of the year. Due to the cessation of the Perkins Loan Program, no new loans were made during the year. The balance of loans outstanding at June 30, 2022 was \$1,605,735.

**Part II**  
**Reports on Internal Controls and Compliance**



## **Report of Independent Auditors on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards***

To the Board of Trustees of  
William Marsh Rice University

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the consolidated financial statements of William Marsh Rice University and its subsidiaries (the “University”), which comprise the consolidated statement of financial position as of June 30, 2022, and the related consolidated statements of activities and of cash flows for the year then ended, including the related notes (collectively referred to as the “consolidated financial statements”), and have issued our report thereon dated October 31, 2022, except with respect to Note 17 to the consolidated financial statements and the opinion on the supplemental schedule of financial responsibility data, as to which the date is March 31, 2023.

### **Report on Internal Control Over Financial Reporting**

In planning and performing our audit of the consolidated financial statements, we considered the University’s internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the consolidated financial statements, but not for the purpose of expressing an opinion on the effectiveness of the University’s internal control. Accordingly, we do not express an opinion on the effectiveness of the University’s internal control.

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

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

### **Report on Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the University’s consolidated financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the consolidated financial statements. However, providing an opinion on





compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

**Purpose of this Report**

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

*PricewaterhouseCoopers LLP*

October 31, 2022, except with respect to Note 17 to the consolidated financial statements and the opinion on the supplemental schedule of financial responsibility data, as to which the date is March 31, 2023



## **Report of Independent Auditors on Compliance for Each Major Program and on Internal Control Over Compliance Required by Uniform Guidance**

To the Board of Trustees of William Marsh Rice University

### **Report on Compliance for Each Major Federal Program**

#### ***Opinion on Each Major Federal Program***

We have audited William Marsh Rice University and its subsidiaries' (the "University") compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of the University's major federal programs for the year ended June 30, 2022. The University's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the University complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2022.

#### ***Basis for Opinion on Each Major Federal Program***

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (US GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditors' Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the University and to meet our other ethical responsibilities, in accordance with 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 opinion on compliance for each major federal program. Our audit does not provide a legal determination of the University's compliance with the compliance requirements referred to above.

#### ***Responsibilities of Management for Compliance***

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules and provisions of contracts or grant agreements applicable to the University's federal programs.

#### ***Auditors' Responsibilities for the Audit of Compliance***

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the University's compliance based on our audit. 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, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the University's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with US GAAS, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, 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 University's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the University's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the University's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

### ***Other Matters***

As indicated in Part I to the accompanying Schedule of Findings and Questioned Costs, we have audited the Student Financial Assistance cluster as a major program. Also, as indicated in the first paragraph of this report, we performed our audit of compliance using the compliance requirements contained in the OMB Compliance Supplement, including those contained in Part V 5.3, Compliance Requirement N, Special Tests and Provisions, Section 13 "Gramm-Leach-Bliley Act-Student Information Security." This section includes three suggested audit procedures with respect to verification that the institution (1) designated an employee or employees to coordinate the information security program, (2) performed a risk assessment that addresses the three required areas in 16 CFR 314.4(b), and (3) documented a safeguard for each risk identified. Our procedures in relation to these three items were limited to inquiry of and obtaining written representation from management and obtaining and reading management's documentation related to these three items. Our procedures did not include an analysis of the adequacy or completeness of the risk assessment performed or the safeguards for each risk identified by management.

The results of our auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of findings and questioned costs as item 2022-001. Our opinion on each major federal program is not modified with respect to this matter.



*Government Auditing Standards* requires the auditor to perform limited procedures on the University's response to the noncompliance findings identified in our audit described in the accompanying management's views and corrective action plan. The University's response was not subjected to the other auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

### **Report on Internal Control Over Compliance**

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

Our consideration of internal control over compliance was for the limited purpose described in the Auditors' Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

*PricewaterhouseCoopers LLP*

March 31, 2023

**Part III**  
**Schedule of Findings and Questioned Costs**

**William Marsh Rice University**  
**Schedule of Findings and Questioned Costs**  
**Year Ended June 30, 2022**

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**Section I– Summary of Auditor’s Results**

**Financial Statements**

Type of auditor’s report issued Unmodified  
Internal control over financial reporting  
Material weakness(es) identified? \_\_\_ yes  x  no  
Significant deficiency(ies) identified that are not  
considered to be material weaknesses? \_\_\_ yes  x  none reported  
Noncompliance material to  
financial statements noted? \_\_\_ yes  x  no

**Federal Awards**

Internal control over major programs  
Material weakness(es) identified? \_\_\_ yes  x  no  
Significant deficiency(ies) identified that are not  
considered to be material weaknesses? \_\_\_ yes  x  none reported  
Type of auditor’s report issued on compliance for  
major programs Unmodified  
Any audit findings disclosed that are required to be reported in  
accordance with 2 CFR 200.516 (a)?  x  yes \_\_\_ no

**Identification of Major Programs**

| <b>Name of Federal Program or Cluster</b>                                  | <b>Assistance Listing Number(s)</b> |
|--|-------------------------------------|
| Research and Development Cluster   | Various                             |
| Student Financial Assistance Cluster                                       | Various                             |
| COVID-19 GEER Fund and HEERF Student and Institutional Portions            | 84.425C, 84.425E and 84.425F        |
| Dollar threshold used to distinguish between<br>Type A and Type B programs | \$3,000,000                         |
| Auditee qualified as a low-risk auditee?                                   | <u> x </u> yes ___ no               |

**William Marsh Rice University**  
**Schedule of Findings and Questioned Costs**  
**Year Ended June 30, 2022**

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**Section II—Financial Statement Findings**

None noted.

# William Marsh Rice University

## Schedule of Findings and Questioned Costs

### Year Ended June 30, 2022

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#### Section III–Federal Award Findings and Questioned Costs

##### Finding 2022-001 – E-sign Act

**Cluster:** Student Financial Assistance Cluster

**Federal Awarding Agency:** Department of Education

**Award Name:** Federal Work Study Program, Federal Pell Grant Program, Federal Supplemental Education Opportunity Grants, Federal Perkins Loan, Federal Direct Student Loans

**Award Numbers:** Not applicable

**Award Year:** July 1, 2021 – June 30, 2022

**Assistance Listing Title:** Federal Supplemental Educational Opportunity Grants, Federal Work-Study Program, Federal Perkins Loans, Federal Pell Grant Program and Federal Direct Student Loans

**Assistance Listing Number:** 84.007, 84.033, 84.038, 84.063 and 84.268

**Pass-through Entities:** Not applicable

##### Criteria

The Electronic Signatures in Global and National Commerce Act (“E-Sign Act”) states that a school must obtain a student’s voluntary consent to participate in electronic transactions.

##### Condition

In examining 25 student records, we noted that the University requires each student annually agree to certain terms and conditions before they accept federal student assistance, however, a statement prompting the student to voluntarily consent to participate in electronic transactions was not included in the list of terms and conditions.

##### Cause

The University inadvertently omitted the statement prompting the student to voluntarily consent to participate in electronic transactions from the list of terms and conditions each student is required to accept.

##### Effect

A lack of student consent to participate in electronic transactions may result in the transactions being denied legal effect, validity, or enforceability solely because it is in electronic form or because an electronic signature or electronic record was used in its formation.

##### Questioned Costs

None noted.

##### Recommendation

We recommend the University add a statement that the student voluntarily consents to participating in electronic transactions to the list of terms and conditions annually agreed to by students receiving federal student financial assistance.

##### Management’s View and Corrective Action Plan

Management’s views and corrective action plan are included at the end of this report after the summary of status of prior audit findings.



**Part IV**  
**Summary Schedule of Prior Audit Findings and Status**

**William Marsh Rice University**  
**Summary Schedule of Prior Audit Findings and Status**  
**Year Ended June 30, 2022**

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There are no findings from prior years which require an update in this report.

**Part V**  
**Management's Views and Corrective Action Plan**

**William Marsh Rice University  
Management's Views and Corrective Action Plan  
Year Ended June 30, 2022**

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March 31, 2023

**Finding 2022-001 – E-Sign Act**

Management accepts the recommendation to request from students receiving federal financial assistance voluntary consent to participate in electronic transactions.

**The Corrective Action Plan is as follows:**

Effective December 1, 2022, the University added language to its NetID and other communication portals outlining the policy and obtaining a student's consent for electronic transactions.

1. The Voluntary Consent for Electronic Transactions was added to our [consumer information page](#).
2. The Voluntary Consent for Electronic Transactions was added to the [MyNetID.rice.edu](#) page.

**Effective Date:**

December 1, 2022

**Person(s) responsible for implementation:**

Paul Negrete, Executive Director for University Financial Aid Services, 713-348-5905

Regards,

A handwritten signature in blue ink, appearing to read 'PN', written over a light blue horizontal line.

Paul Negrete  
Executive Director  
University Financial Aid Services