

# **Villanova University and Subsidiaries**

**Reports on Federal Awards in  
Accordance with the OMB Uniform Guidance  
For the Year Ended May 31, 2022  
Federal EIN 23-1352688**

# Villanova University and Subsidiaries

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May 31, 2022

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## **Report of Independent Auditors**

To the Board of Trustees of Villanova University:

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

#### ***Opinion***

We have audited the accompanying consolidated financial statements of Villanova University and its subsidiaries (the “University”), which comprise the consolidated statements of financial position as of May 31, 2022 and 2021, and the related consolidated statements of activities, changes in net assets and cash flows for the years then ended, 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 May 31, 2022 and 2021, and the changes in its net assets and its cash flows for the years then ended 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.

#### ***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 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 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 May 31, 2022 is 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 is 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 is 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 11, 2022 on our consideration of the University’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters for the year ended May 31, 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.

A handwritten signature in cursive script that reads "PricewaterhouseCoopers LLP". The signature is enclosed in a thin black rectangular border.

Philadelphia, Pennsylvania  
October 11, 2022

## VILLANOVA UNIVERSITY AND SUBSIDIARIES

### Consolidated Statements of Financial Position at May 31, 2022 and 2021

(in thousands)

	<u>2022</u>	<u>2021</u>
<b>ASSETS</b>		
Cash and cash equivalents	\$ 83,020	\$ 98,461
Accounts receivable	10,233	6,498
Other assets	8,483	6,396
Assets whose use is limited	11	2,067
Prepaid pension asset	771	1,189
Pledges receivable, net	78,371	61,163
Student loans receivable, net	5,397	6,154
Investments	1,359,040	1,262,769
Right of use assets under operating leases	15,732	15,973
Land, buildings and equipment, net	<u>726,397</u>	<u>717,114</u>
Total assets	<u>\$ 2,287,455</u>	<u>\$ 2,177,784</u>
<b>LIABILITIES</b>		
Accounts payable	\$ 28,724	\$ 16,957
Accrued expenses	49,043	52,697
Operating lease liabilities - current	1,184	1,033
Deposits	6,307	4,891
Deferred revenues	24,753	29,815
Accrued postretirement benefits	7,436	8,967
Refundable government loan funds	7,083	7,668
Operating lease liabilities - non-current	14,852	15,043
Long-term debt	<u>219,262</u>	<u>236,822</u>
Total liabilities	<u>358,644</u>	<u>373,893</u>
<b>NET ASSETS</b>		
Without donor restrictions	1,027,838	998,791
With donor restrictions	<u>900,973</u>	<u>805,100</u>
Total net assets	<u>1,928,811</u>	<u>1,803,891</u>
Total liabilities and net assets	<u>\$ 2,287,455</u>	<u>\$ 2,177,784</u>

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

## VILLANOVA UNIVERSITY AND SUBSIDIARIES

### Consolidated Statement of Activities and Change in Net Assets for the Year Ended May 31, 2022 and Summary of Year Ended May 31, 2021

(in thousands)

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>	<u>2021 Total</u>
<b>OPERATING REVENUES</b>				
Student related revenue:				
Student tuition and fees, net	\$ 336,480		\$ 336,480	\$ 332,039
Sales and services of auxiliary enterprises, net	86,675		86,675	70,128
	<u>423,155</u>		<u>423,155</u>	<u>402,167</u>
Gifts	16,048	\$ 61,671	77,719	44,353
Government grants	10,342		10,342	9,827
Private grants	3,180		3,180	2,076
Endowment resources	16,722	21,428	38,150	35,527
Investment income	3,400	-	3,400	2,234
Other sources	38,887	994	39,881	20,095
Net assets released from restrictions	27,856	(27,856)	-	-
Total operating revenues	<u>539,590</u>	<u>56,237</u>	<u>595,827</u>	<u>516,279</u>
<b>OPERATING EXPENSES</b>				
Salaries and benefits	326,259		326,259	307,660
Other operating expenses	134,914		134,914	108,211
Depreciation	38,299		38,299	37,361
Interest	7,598		7,598	8,319
Total operating expenses	<u>507,070</u>	<u>-</u>	<u>507,070</u>	<u>461,551</u>
Change in net assets from operating activities	<u>32,520</u>	<u>56,237</u>	<u>88,757</u>	<u>54,728</u>
<b>NON-OPERATING</b>				
Investment return, net of management fees	12,156	27,888	40,044	302,656
Endowment resources	(16,722)	(21,428)	(38,150)	(35,527)
Rental property return, net	(1,759)		(1,759)	1,658
Other components of net periodic pension cost	776		776	630
Endowment and other gifts	8	35,330	35,338	24,739
Capital gifts released from restriction	2,154	(2,154)	-	-
Adjustment for retirement plan obligations	(86)		(86)	6,305
Total nonoperating activities	<u>(3,473)</u>	<u>39,636</u>	<u>36,163</u>	<u>300,461</u>
Total change in net assets	29,047	95,873	124,920	355,189
Net assets				
Beginning of year	998,791	805,100	1,803,891	1,448,702
End of year	<u>\$ 1,027,838</u>	<u>\$ 900,973</u>	<u>\$ 1,928,811</u>	<u>\$ 1,803,891</u>

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

## VILLANOVA UNIVERSITY AND SUBSIDIARIES

### Consolidated Statement of Activities and Change in Net Assets for the Year Ended May 31, 2021 and Summary of Year Ended May 31, 2020

(in thousands)

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>	<u>2020 Total</u>
<b>OPERATING REVENUES</b>				
Student related revenue:				
Student tuition and fees, net	\$ 332,039		\$ 332,039	\$ 323,626
Sales and services of auxiliary enterprises, net	70,128		70,128	66,797
	<u>402,167</u>		<u>402,167</u>	<u>390,423</u>
Gifts	15,694	\$ 28,659	44,353	34,496
Government grants	9,827		9,827	8,827
Private grants	2,076		2,076	2,032
Endowment resources	17,011	18,516	35,527	32,171
Investment income	2,234	-	2,234	4,006
Other sources	19,455	640	20,095	29,315
Net assets released from restrictions	<u>22,773</u>	<u>(22,773)</u>	<u>-</u>	<u>-</u>
Total operating revenues	<u>491,237</u>	<u>25,042</u>	<u>516,279</u>	<u>501,270</u>
<b>OPERATING EXPENSES</b>				
Salaries and benefits	307,660		307,660	297,543
Other operating expenses	108,211		108,211	118,717
Depreciation	37,361		37,361	33,071
Interest	8,319		8,319	8,849
Total operating expenses	<u>461,551</u>	<u>-</u>	<u>461,551</u>	<u>458,180</u>
Change in net assets from operating activities	<u>29,686</u>	<u>25,042</u>	<u>54,728</u>	<u>43,090</u>
<b>NON-OPERATING</b>				
Investment return, net of management fees	113,255	189,401	302,656	49,863
Endowment resources	(17,011)	(18,516)	(35,527)	(32,171)
Rental property return, net	1,658		1,658	1,537
Other components of net periodic pension cost	630		630	358
Grant for capital expenditures	-		-	1,782
Endowment and other gifts	-	24,739	24,739	16,113
Capital gifts released from restriction	4,671	(4,671)	-	-
Adjustment for retirement plan obligations	<u>6,305</u>	<u>-</u>	<u>6,305</u>	<u>(1,632)</u>
Total nonoperating activities	<u>109,508</u>	<u>190,953</u>	<u>300,461</u>	<u>35,850</u>
Total change in net assets	139,194	215,995	355,189	78,940
Net assets				
Beginning of year	<u>859,597</u>	<u>589,105</u>	<u>1,448,702</u>	<u>1,369,762</u>
End of year	<u>\$ 998,791</u>	<u>\$ 805,100</u>	<u>\$ 1,803,891</u>	<u>\$ 1,448,702</u>

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



# VILLANOVA UNIVERSITY AND SUBSIDIARIES

## Consolidated Statements of Cash Flows For the years ended May 31, 2022 and 2021 (in thousands)

	<u>2022</u>	<u>2021</u>
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
Increase in net assets	\$ 124,920	\$ 355,189
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	38,299	37,361
Contributions restricted for long-term investment	(23,976)	(28,506)
Realized gains on sales of investments	(124,843)	(65,792)
Change in market value of investments	78,623	(241,008)
Pension and other postretirement benefit plan adjustments	(690)	(6,936)
Receipt of contributed securities	(10,856)	(12,084)
Amortization of operating lease assets	87	1,141
Amortization of debt (premium)/discount	(2,160)	(2,160)
Changes in operating assets and liabilities:		
Receivables, net	(20,943)	12,656
Accounts payable and accrued expenses	4,034	17,767
Other changes	(5,894)	(7,603)
Net cash provided by operating activities	<u>56,601</u>	<u>60,025</u>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		
Proceeds from sales of investments	789,394	436,126
Purchases of investments	(828,589)	(470,229)
Student loans receivable	757	1,108
Purchase of land, buildings and equipment	(43,503)	(14,189)
Decrease/(Increase) in assets whose use is limited	2,056	44
Net cash used by investing activities	<u>(79,885)</u>	<u>(47,140)</u>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		
Contributions restricted for long-term investment	23,976	28,506
Repayment of debt principal	(15,548)	(15,210)
Government loan funds	(585)	(914)
(Repayment)/Issuance of lines of credit	-	(60,000)
Net cash provided/(used) by financing activities	<u>7,843</u>	<u>(47,618)</u>
Net (decrease) in cash and cash equivalents	(15,441)	(34,733)
Cash and cash equivalents at beginning of year	<u>98,461</u>	<u>133,194</u>
Cash and cash equivalents at end of year	<u>\$ 83,020</u>	<u>\$ 98,461</u>
<b>SUPPLEMENTAL DISCLOSURES</b>		
Purchases of property, plant, and equipment in accounts payable	\$ 8,661	\$ 4,582
Cash paid for interest	9,822	10,606
Tax payments	2,068	2,397

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

**VILLANOVA UNIVERSITY AND SUBSIDIARIES**  
**NOTES TO FINANCIAL STATEMENTS**  
**FOR THE YEARS ENDED MAY 31, 2022 AND MAY 31, 2021**

**NOTE 1 - SUMMARY OF NATURE OF OPERATIONS, SIGNIFICANT ACCOUNTING POLICIES AND REPORTING PRACTICES:**

**Nature of Operations**

Villanova University and Subsidiaries (the “University”) is an independent, coeducational institution offering undergraduate and graduate instruction, located in Radnor Township, Delaware County, Pennsylvania. The campus presently covers approximately 285 acres and comprises 92 buildings. The University also has a conference center (The Inn at Villanova University) approximately one-half mile from the campus which encompasses 33 acres. The University has approximately 10,900 students, of whom approximately 6,800 are full-time undergraduates. Refer to Note 16 for a description of the University’s subsidiaries.

**Significant Accounting Policies and Reporting Practices**

**Principles of Consolidation**

The consolidated financial statements include the accounts of the University and its subsidiaries. All intercompany balances and transactions have been eliminated in consolidation.

**Financial Statement Presentation**

The accompanying consolidated financial statements have been prepared on the accrual basis of accounting.

Resources are categorized for accounting purposes into separate classes of net assets based on the existence or absence of donor-imposed restrictions. In the accompanying consolidated financial statements, net assets that have similar characteristics have been combined into similar categories.

- **Without Donor Restrictions** - Net assets without donor restrictions generally result from revenues derived from providing services, receiving contributions without donor restrictions, receiving dividends and interest from investing in income-producing assets, and gains and losses from investments without donor restrictions, less expenses incurred in providing services, raising contributions, and performing administrative functions. Net assets without donor restrictions may be designated for specific purposes by action of the Board of Trustees.
- **With Donor Restrictions** – Net assets with donor restrictions generally result from contributions and other inflows of assets whose use by the University is limited by donor-imposed stipulations that either expire by passage of time, can be fulfilled and removed by actions of the University pursuant to those stipulations or by law, or represent corpus of contributions and other inflows of assets whose use by the University is limited by donor-imposed stipulations that neither expire by the passage of time nor can be fulfilled or otherwise removed by the University. Gifts of cash and other non-capital assets are reported as net assets with donor restrictions if the gifts are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose for restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the Consolidated Statement of Activities and Change in Net Assets as net assets released from restrictions. Contributions related to the construction or acquisition of fixed assets are also classified as net assets with donor restrictions. When the associated assets are placed in service, net assets with donor restriction are reclassified to net assets without donor restrictions and reported in the Consolidated Statement of Activities and Change in Net Assets as capital gifts released from restriction within non-operating activity.

## **NOTE 1 - SUMMARY OF NATURE OF OPERATIONS, SIGNIFICANT ACCOUNTING POLICIES AND REPORTING PRACTICES: (Continued)**

### **New Accounting Pronouncements Adopted In Current Year**

In September 2020, the FASB issued ASU 2020-07, Not-for-Profit Entities: Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets (Topic 958). This standard increases the transparency of contributed nonfinancial assets for not-for-profit (NFP) entities through enhancements to presentation and disclosure. The amendments in this update address certain stakeholders' concerns about the lack of transparency about the measurement of contributed nonfinancial assets recognized by NFPs, as well as the amount of those contributions used in an NFP's programs and other activities. The amendments in this update require that an NFP (1) present contributed nonfinancial assets as a separate line items in the statement of activities, apart from contributions of cash and other financial assets, and (2) disclose a disaggregation of the amount of contributed nonfinancial assets recognized within the statements of activities by category that depicts the type of contributed nonfinancial assets, along with other qualitative information for those categories recognized. The University adopted this accounting standard for the fiscal year ending May 31, 2022. Upon review of the requirements of this standard, there are no material contributed nonfinancial assets to recognize separately in the statement of activities or that requires further disclosure in the footnotes.

### **New Accounting Pronouncements Not Yet Adopted**

In June 2016, the FASB issued ASU 2016-13, Financial Instruments-Credit Losses (Topic 326). This standard represents a significant change in the allowance for credit losses accounting model by requiring immediate recognition of management's estimates of current expected credit losses. Under the current model, losses are recognized only as they are incurred, which the FASB has noted delayed recognition of expected losses that might not yet have met the threshold of being probable. The ASU is effective for fiscal years beginning after December 15, 2022 and early adoption is permitted. The University will adopt this accounting standard for the fiscal year ending May 31, 2024 and does not anticipate any impact to the consolidated financial statements as management believes there are no assets of the University that will be impacted.

### **Fair Value**

The University utilizes the fair value standard, which defines the term "fair value," establishes a measurement framework for generally accepted accounting principles in the United States (US GAAP), and expands disclosures regarding fair value measurements.

The standard established a three-level valuation hierarchy for disclosure of fair value measurements. The valuation hierarchy is based upon the transparency of inputs to the valuation of an asset or liability as of the measurement date. The three levels are defined as follows:

- *Level 1* – Observable inputs to the valuation methodology are quoted prices (unadjusted) for identical assets or liabilities in active markets;
- *Level 2* – Inputs to the valuation methodology include quoted prices for similar assets or liabilities in active markets, and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the same term of the financial instrument; and
- *Level 3* – Unobservable inputs to the valuation methodology in which there is little or no market data and which are significant to the fair value measurement

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

The University utilizes the practical expedient to estimate the fair value of investments at the measurement date using the net asset value (NAV) reported by the managers of such investments in accordance with their respective operating agreements, which generally requires fair valuation in accordance with US GAAP. Adjustment is required if the University expects to sell the investment at a value other than NAV or if the NAV is not calculated in accordance with US GAAP. The University holds investments in its portfolio which are generally valued based on the most current NAV. These amounts represent fair value of these investments at May 31, 2022 and 2021.

The University performs additional procedures including due diligence reviews on its investments and other procedures with respect to the capital account balance or NAV provided to ensure conformity with US GAAP. The University has assessed factors including, but not limited to, managers' compliance with the Fair Value Measurement standard, price transparency, and valuation procedures in place.

**NOTE 1 - SUMMARY OF NATURE OF OPERATIONS, SIGNIFICANT ACCOUNTING POLICIES AND REPORTING PRACTICES: (Continued)**

**Fair Value (Continued)**

Investments in public equity consist of separate accounts, commingled funds, daily traded mutual funds, and limited partnership investments. Securities held in separate accounts are traded daily and are valued based on quoted market prices and categorized as Level 1. Securities held in daily traded mutual funds are generally valued based on quoted market prices in active markets obtained from exchange or dealer markets for identical assets and are accordingly categorized as Level 1 in the fair value hierarchy, with no valuation adjustments applied. Commingled funds and limited partnership interests are valued at NAV and are categorized as Investments at NAV in the fair value hierarchy.

Investments in hedge funds are valued at NAV and are categorized in accordance with the fair value standard. The liquidity terms for the hedge funds vary by individual investment, from monthly liquidity to illiquid. All of these investments are classified as Investments at NAV in the fair value hierarchy.

Private investments consist of limited partnership interests. Limited partnership interests are valued at NAV and are categorized in accordance with the fair value standard. Since the University does not have the ability to redeem from the limited partnerships at the measurement date or is restricted from redeeming for an uncertain or extended period of time from the measurement date, the investments are classified as Investments at NAV in the fair value hierarchy using the practical expedient.

Investments in split-interest agreements consist of irrevocable charitable remainder trusts, charitable gift annuities, and pooled income funds where the University serves as trustee. The assets, invested in equity or debt securities, are measured at fair value on a recurring basis at quoted market prices and are thus categorized as Level 1. Liabilities represent the present value of the estimated future distributions to beneficiaries over the terms of the agreements and are included in accrued expenses on the Statements of Financial Position. Investment gains and losses, and gains and losses associated with changes in the estimates of future distributions to beneficiaries, are included in net realized and unrealized gains and losses.

Investments of operating funds include fixed-income securities with original maturities of greater than one year. The assets are valued using observable market data to the degree that they can be valued based on quoted market prices; however, some of these investments are traded infrequently. They are categorized as Level 2 in the fair value hierarchy.

Operating funds are classified as follows as of May 31, 2022, based on the maturity of the underlying investments:

	<u>(in thousands)</u>
Cash and cash equivalents	\$ 83,020
Short-term investments	36,994
Long-term investments	<u>151,221</u>
Total	<u>\$ 271,235</u>

The University's pension assets consist of common collective trusts and cash. Investments in common collective trusts consist of equity securities and fixed income options traded in an active exchange market, as well as investments in mutual funds. The assets are valued at the net asset value of units held at year-end. When available, quoted market prices are used to value the underlying investments held by the collective trusts. For underlying investments consisting of fixed maturities, valuations are generally obtained from third-party pricing services for identical or comparable assets or liabilities, non-binding broker quotes (when pricing service information is not available) or through the use of valuation methodologies using observable inputs. For underlying investments where vendor pricing is not available, internally developed valuations using one or more unobservable inputs or non-binding quotes are used to determine fair value. These investments in common collective trusts are categorized as Investments at NAV in the fair value hierarchy, while cash is categorized as Level 1 in the hierarchy.

## **NOTE 1 - SUMMARY OF NATURE OF OPERATIONS, SIGNIFICANT ACCOUNTING POLICIES AND REPORTING PRACTICES: (Continued)**

### **Cash and Cash Equivalents**

Cash and cash equivalents represent demand deposits and other investments with an original maturity date not exceeding 90 days.

### **Investments**

The Investments balance represents investments of operating funds, the endowment investments, and other investments of the University. The investments of operating funds reflect liquid investments with varying maturity dates. These investments are valued using observable market data to the degree that they can be valued based on quoted market prices. These are categorized as Level 2 in the fair value hierarchy.

Endowment cash and cash equivalents are liquid investments with a maturity date of less than one year, though certain investments may be in securities with maturities of up to 13 months. The intent of the endowment cash and cash equivalents is to fund future investments in other asset categories. The University has elected to treat all cash equivalents within the endowment as investments.

The University records investments at fair value. Gains or losses on investments are recognized as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulations or by law.

### **Accounts Receivable**

Accounts Receivable are primarily amounts related to student receivable balances, grant receivable balances, and other miscellaneous receivables. The receivables are shown net of allowances for doubtful accounts, which totaled \$2,294,000 and \$5,174,000 as of May 31, 2022 and 2021, respectively.

### **Investment Income**

Investment income related to investments is recorded as non-operating income, and the portion of investment income that is utilized for operations under the University's endowment spending formula (see description in Note 4) is shown as a reduction in non-operating income ("Endowment resources"). Investment income related to the endowment is classified as net assets without donor restrictions or net assets with donor restrictions, depending on donor specifications and applicable law. Investment income related to operating funds is recorded as operating revenue.

### **Student Loans Receivable**

Student loans receivable are stated net of allowances for doubtful accounts. Student loans receivable are principally amounts due from students under U.S. Government-sponsored loan programs, which are subject to significant restrictions.

### **Land, Building, and Equipment**

Land, buildings and equipment are carried at cost on date of acquisition or fair value on the date of donation. Depreciation is computed on a straight-line basis over the estimated useful lives of land improvements (10-25 years), buildings (10-55 years) and equipment (4-10 years).

### **Capitalized Software Costs**

Capitalized software costs included in property, plant and equipment relate to purchased software, which is capitalized and depreciated on a straight-line basis over a five-year period.

### **Early Retirement Benefits**

The University offers an early retirement program to full-time faculty members who meet certain eligibility criteria. The University accrues a liability for the present value of all future benefit payments for individuals who accept the University's early retirement offer at the time of acceptance.

**NOTE 1 - SUMMARY OF NATURE OF OPERATIONS, SIGNIFICANT ACCOUNTING POLICIES AND REPORTING PRACTICES: (Continued)**

**Deferred Revenue and Prepaid Expenses**

All revenues received and expenses paid prior to the end of the fiscal year which relate to the following fiscal year are recorded as deferred revenues or other assets, respectively.

Certain deferred revenue represents payments received prior to the start of the academic term or the following fiscal year. The following table depicts significant components of deferred revenue:

	Balance at May 31, 2021	Refunds Issued	Revenue recognized in FY2022	Cash received in advance of performance	Balance at May 31, 2022
Tuition and Fees, net	\$16,849,148	\$ -	\$16,849,148	\$16,426,134	\$16,426,134
Room and Board	529,953	-	529,953	460,341	460,341
Athletic Revenue	11,568,825	-	5,594,645	1,585,949	7,560,129
Summer Events	12,820	550	12,820	305,408	304,858
Miscellaneous Revenue	854,029	-	852,232	-	1,797
	<u>\$29,814,775</u>	<u>\$ 550</u>	<u>\$23,838,798</u>	<u>\$18,777,832</u>	<u>\$24,753,259</u>

The balance of deferred revenue at May 31, 2022, less any refunds issued, will be recognized as revenue over the applicable academic term, as services are rendered.

The University has not disclosed information about remaining performance obligations that have original durations of one year or less.

**Noncash Gifts**

Noncash gifts are recorded at fair value on the date of donation.

**Employee Health Insurance**

The University is self-insured for employee health expenses and pays the actual cost of claims, and bears risk related to these claims. There are risk-mitigation strategies in place such as stop loss insurance to reduce the impact of catastrophic claims.

**Use of Estimates**

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

**Revenue recognition and disaggregation of revenue**

Tuition revenue is recognized in the fiscal year in which the academic programs are delivered. Institutional scholarships awarded to students reduce the amount of revenue recognized. In addition, students who adjust their course load or withdraw completely within the first week of the academic term may receive a partial refund in accordance with the University's refund policy. Historically, refunds have totaled less than 1% of the total amount billed. Refunds issued reduce the amount of revenue recognized. Payments for tuition are due approximately 3 weeks prior to the start of the academic term.

## NOTE 1 - SUMMARY OF NATURE OF OPERATIONS, SIGNIFICANT ACCOUNTING POLICIES AND REPORTING PRACTICES: (Continued)

### Revenue recognition and disaggregation of revenue (Continued)

The following table shows the components of student tuition and fees, net of student financial aid by reportable segment for the year ended May 31, 2022:

	(in thousands)
Undergraduate	\$ 406,924
Graduate and other special programs	45,757
Law school	30,445
College of Professional Studies	7,336
Financial Aid	(153,982)
Tuition and fees, net of financial aid	<u>\$ 336,480</u>

### Performance Obligations

A performance obligation is a promise in a contract to transfer a distinct good or service to the customer and is the unit of accounting in ASC Topic 606. A contract's transaction price is allocated to each performance obligation identified in the arrangement based on the relative standalone selling price of each distinct good or service in the contract and recognized as revenue when, or as, the performance obligation is satisfied. The primary method used to estimate standalone selling price is the adjusted market assessment approach, under which the market is evaluated and the price that a customer would be willing to pay for the goods and services the University provides is estimated.

The University's performance obligations are primarily satisfied over time during the course of an academic semester or academic year. Villanova's transaction price is determined based on gross price, net of scholarships and other discounts. The majority of the University's revenue is derived from tuition and educational services agreements with students, and thus, is recognized over time during each academic session. The University views the knowledge gained by the student as the benefit which the student receives during the academic sessions. Residence hall revenues are recognized over time throughout the occupancy period, which is most commonly during each academic session.

### Contract Balances

The timing of billings, cash collections and revenue recognition results in accounts receivable (contract assets) and deferred revenue and student deposits (contract liabilities) on the Consolidated Statements of Financial Position. Receivables are recognized only to the extent that it is probable that the University will collect substantially all of the consideration to which it is entitled in exchange for the goods and services that will be transferred to the student.

### Measure of Operations

The Statement of Activities and Change in Net Assets reports all changes in net assets, including changes in net assets from operating and non-operating activities. Operating revenues in excess of operating expenses reflect all transactions that are an integral part of the University's programs and supporting activities, net assets released from donor restrictions to support operating expenditures, and transfers from board-designated and other non-operating funds to support current operating activities. The measure of operations includes support for operating activities from both donor-restricted net assets and net assets without donor restrictions except those of a capital or long-term nature, such as gifts for investments and endowments. Operating revenues include realized gains appropriated in accordance with the University's endowment spending policy (see description in Note 4). The measure of operations excludes grants for capital expenditures, endowment support for non-operating activities, investment return in excess of (or less than) amounts made available for current support, gains and losses on extinguishment of debt (when applicable), and rental property revenue and expenses.

Student tuition and fees as well as sales and services of auxiliary enterprises are shown net of student financial aid. As of May 31, 2022 and 2021, student financial aid for tuition and fees totaled \$153,982,000 and \$148,697,000, respectively. Student financial aid related to auxiliary revenues totaled \$5,900,000 and \$5,264,000 as of May 31, 2022 and 2021, respectively.

**NOTE 1 - SUMMARY OF NATURE OF OPERATIONS, SIGNIFICANT ACCOUNTING POLICIES AND REPORTING PRACTICES: (Continued)**

**Measure of Operations (Continued)**

Expenses associated with the operation and maintenance of plant, depreciation and interest expenses have been allocated to the functional operating expense categories in Note 12.

Total Revenue and Gains Without Donor Restrictions equaled \$536,117,000 and \$600,745,000 as of May 31, 2022 and 2021, respectively.

**NOTE 2 – LIQUIDITY AND AVAILABILITY**

The following table reflects the University’s financial assets as of May 31, 2022 and May 31, 2021, reduced by amounts not available for general expenditures within one year. Financial assets are considered unavailable when illiquid or not convertible to cash within one year of the balance sheet date. Other financial assets that are excluded from this measure of liquidity include endowments and accumulated earnings restricted by donors or the University’s Board of Trustees, bond reserves that can only be used for specific capital projects, assets held for or by others, and annuity reserves.

	(in thousands)	
	2022	2021
Financial assets		
Cash and cash equivalents	\$ 83,020	\$ 98,461
Accounts receivable, less allowances	10,233	6,498
Other assets	8,483	6,396
Assets whose use is limited	11	2,067
Prepaid pension asset	771	1,189
Pledges receivable, net	78,371	61,163
Student loans receivable, net	5,397	6,154
Investments	1,359,040	1,262,769
Financial assets at May 31	<u>1,545,326</u>	<u>1,444,697</u>
Less those unavailable for general expenditure within one year:		
Pledges receivable, net	78,371	61,163
Short-term investments	41	944
Accounts receivable beyond one year	1,322	446
Other assets	8,483	6,396
Prepaid pension asset	771	1,189
Student loans receivable	5,397	6,154
Endowment assets restricted by donors	712,166	679,573
Unrestricted endowment	453,360	442,987
Bond proceeds and reserves restricted by use	11	2,067
Investments held for other purposes	5,258	5,561
Financial assets not available for expenditure within one year	<u>1,265,180</u>	<u>1,206,480</u>
Financial assets available to meet cash needs for general purposes within one year	<u>\$ 280,146</u>	<u>\$ 238,217</u>

As of May 31, 2022, the University has liquid assets on hand equal to 204 days of operating expenses. The University’s practice is to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due.



**NOTE 2 – LIQUIDITY AND AVAILABILITY: (Continued)**

The University is substantially supported by student tuition and fees, sales and services of auxiliary enterprises and gifts with and without donor restrictions. Because donor restrictions require resources to be used in a particular manner or in a future period, the University must maintain sufficient resources to meet those responsibilities to its donors. Thus, financial assets may not be available for general expenditure within one year.

The University maintains two unsecured lines of credit totaling \$60,000,000, representing 44 days of operating expenses. No funds were drawn from these lines during the year ended May 31, 2022.

**NOTE 3 - DISCLOSURES ABOUT FAIR VALUE OF FINANCIAL INSTRUMENTS:**

At May 31, 2022 and 2021, the fair value of cash and cash equivalents and deposits with bond trustees approximate their respective carrying amounts. The fair value of deposits with bond trustees are based on the quoted market price of the underlying securities (and would be considered Level 1).

Determination of the fair value of student loans receivable, which are primarily federally sponsored student loans with U.S. government mandated interest rates and repayment terms and subject to significant restrictions as to their transfer or disposition, is not practicable.

The following tables present the financial instruments carried at fair value on a recurring basis as of May 31, 2022 and May 31, 2021, respectively, and indicate the fair value hierarchy of the valuation techniques that were utilized to determine such fair value. The tables reflect Investments in the Statements of Financial Position.

	As of May 31, 2022 (in thousands)				Investments at NAV
	Total	Level 1	Level 2	Level 3	
Cash equivalents - endowment	\$ 59,535	\$ 59,535	\$ -	\$ -	\$ -
Public equities	373,238	-	-	-	373,238
Hedge funds	391,685	-	-	-	391,685
Private Investments	339,306	-	-	-	339,306
Split-interest agreements	4,445	4,445	-	-	-
Investments of operating funds	188,215	-	188,215	-	-
Other investments	2,616	2,616	-	-	-
Total	<u>\$1,359,040</u>	<u>\$ 66,596</u>	<u>\$ 188,215</u>	<u>\$ -</u>	<u>\$1,104,229</u>

  

	As of May 31, 2021 (in thousands)				Investments at NAV
	Total	Level 1	Level 2	Level 3	
Cash equivalents - endowment	\$ 53,639	\$ 53,639	\$ -	\$ -	\$ -
Public equities	453,492	-	-	-	453,492
Hedge funds	368,298	-	-	-	368,298
Private Investments	245,884	-	-	-	245,884
Split-interest agreements	4,447	4,447	-	-	-
Investments of operating funds	133,704	-	133,704	-	-
Other investments	3,305	3,305	-	-	-
Total	<u>\$1,262,769</u>	<u>\$ 61,391</u>	<u>\$ 133,704</u>	<u>\$ -</u>	<u>\$1,067,674</u>

The methods described in Note 1 may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the University believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different estimate of fair value at the reporting date.

**NOTE 3 - DISCLOSURES ABOUT FAIR VALUE OF FINANCIAL INSTRUMENTS: (Continued)**

Liquidity risk is the risk that the University will not be able to meet its obligations associated with financial liabilities due to restrictions on ability to redeem investments. The University has made investments in various long-lived partnerships and, in other cases, has entered into contractual agreements that may limit its ability to initiate redemptions due to notice periods, lock-ups and gates. Details on the estimated remaining life and current redemption terms by asset class and type of investment are provided below:

	<u>Liquidity</u>
Cash & cash equivalents-endowment	Daily
Public equities	Varies
Hedge funds	Varies
Private Investments	Illiquid
Split-interest agreements	Daily
Investments of operating funds	Daily
Other investments	Daily

Required notice prior to redemption varies, generally between no required advance notice to 30 days' notice. The remaining life of private investment partnerships varies by individual investment, with the longest anticipated remaining life being 13.6 years.

**NOTE 4 - NET ASSETS:**

	<u>(in thousands)</u>	
	<u>2022</u>	<u>2021</u>
<b>Without Donor Restrictions</b>		
Undesignated	\$ 67,343	\$ 75,512
Invested in property, plant and equipment, net	507,135	480,292
Unrestricted endowment	453,360	442,987
	<u>\$ 1,027,838</u>	<u>\$ 998,791</u>
<b>With Donor Restrictions</b>		
Purpose restricted:		
Unexpended contributions for instruction and scholarships	\$ 73,561	\$ 62,682
Unexpended contributions for capital expenditures	77,022	34,586
Time restricted for future periods:		
Annuity and life income funds	3,952	3,940
Endowment – accumulated change in market value of investments and realized gains	303,412	296,681
Restricted for time or purpose	457,947	397,889
Restricted in perpetuity:		
Student loans	1,893	1,893
Endowment principal, primarily for scholarships and instruction	441,133	405,318
	<u>\$ 900,973</u>	<u>\$ 805,100</u>

#### **NOTE 4 - NET ASSETS: (Continued)**

The University's endowment consists of nearly 1,100 individual funds established for a variety of purposes. The endowment includes donor-restricted endowment funds, funds designated by the Board of Trustees to function as endowments, and other funds set aside internally by the University. Net assets associated with endowment funds, including funds designated by the Board of Trustees to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

The Commonwealth of Pennsylvania has not enacted a version of the Uniform Prudent Management of Institutional Funds Act (UPMIFA), or a version of the Uniform Management of Institutional Funds Act (UMIFA). Governing law resides in 15 Pa. C.S. § 5548, *Investment of Trust Funds*. The University has interpreted relevant Pennsylvania law as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the University classifies as net assets with donor restrictions (a) the original value of gifts donated to net assets with donor restrictions, (b) the original value of subsequent gifts to the net assets with donor restrictions, and (c) enhancements or diminishments of the fund from investment income, loss and spending allowance.

The University has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the University must hold in perpetuity or for a donor-specific period(s) as well as board-designated funds. Under this policy, as approved by the Board of Trustees, the endowment assets are invested in a manner that is intended to produce a real return, net of inflation and investment management costs, of at least 5% over the long term. Actual returns in any given year may vary from this amount.

To satisfy its long-term rate-of-return objectives, the University relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The University targets a diversified asset allocation that places a greater emphasis on equity-based and alternative investments to achieve its long-term objective within prudent risk constraints.

Under the University's spending policy, the University utilizes endowment and quasi-endowment resources to support operations at a level of 5% of the 12 calendar quarter moving average of the fair value of endowment and quasi-endowment investment assets calculated as of December 31st of the year immediately preceding the beginning of the University's fiscal year. Any difference between actual investment income and the amounts distributed is retained to support operations of future years. These retained balances are used in any year that the actual total investment return is below the spending rate. The remaining realized and unrealized gains/losses are reported as non-operating revenues. In establishing this policy, the University considered the long-term expected return on its endowment. Accordingly, over the long term, the University expects the current spending policy to allow its endowment to maintain spending at an amount equal to or less than total return less inflation.

**NOTE 4 - NET ASSETS: (Continued)**

At May 31, 2022, the endowment net asset composition by type of fund consisted of the following:

	(in thousands)		
	Without Donor Restrictions	With Donor Restrictions	Total
Amounts required to be maintained in perpetuity	\$ -	\$ 408,754	\$ 408,754
Other invested principal	270,831	-	270,831
Accumulated investment gains	182,529	303,412	485,941
Total Funds	<u>\$ 453,360</u>	<u>\$ 712,166</u>	<u>\$ 1,165,526</u>

Changes in endowment net assets for the fiscal year ended May 31, 2022 consisted of the following:

	(in thousands)		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	\$ 442,987	\$ 679,573	\$ 1,122,560
Investment return:			
Investment Income	1,847	2,929	4,776
Management and Admin Fees	(3,327)	(5,298)	(8,625)
Net appreciation (realized and unrealized)	18,375	30,526	48,901
Total investment return, net	<u>16,895</u>	<u>28,157</u>	<u>45,052</u>
Contributions	-	25,864	25,864
Investment in Unrestricted Endowment	10,200	-	10,200
Distribution for Spending	(16,722)	(21,428)	(38,150)
Endowment net assets, end of year	<u>\$ 453,360</u>	<u>\$ 712,166</u>	<u>\$ 1,165,526</u>

At May 31, 2021, the endowment net asset composition by type of fund consisted of the following:

	(in thousands)		
	Without Donor Restrictions	With Donor Restrictions	Total
Amounts required to be maintained in perpetuity	\$ -	\$ 382,892	\$ 382,892
Other invested principal	260,627	-	260,627
Accumulated investment gains	182,360	296,681	479,041
Total Funds	<u>\$ 442,987</u>	<u>\$ 679,573</u>	<u>\$ 1,122,560</u>

**NOTE 4 - NET ASSETS: (Continued)**

Changes in endowment net assets for the fiscal year ended May 31, 2021 consisted of the following:

	(in thousands)		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	\$ 317,653	\$ 479,362	\$ 797,015
Investment return:			
Investment Income	1,252	1,018	2,270
Management and Admin Fees	(3,019)	(4,480)	(7,499)
Net appreciation (realized and unrealized)	115,179	191,056	306,235
Total investment return, net	113,412	187,594	301,006
Contributions	-	31,133	31,133
Distribution for Spending	(17,011)	(18,516)	(35,527)
Investment in Unrestricted Endowment	28,933	-	28,933
Endowment net assets, end of year	<u>\$ 442,987</u>	<u>\$ 679,573</u>	<u>\$ 1,122,560</u>

From time to time, certain donor restricted endowment funds may have fair value below the amount required to be maintained by donors or law. There were no such deficiencies reported at May 31, 2022 and 2021. Management has interpreted state law to permit prudent spending from underwater endowments.

**NOTE 5 - ASSETS WHOSE USE IS LIMITED:**

Assets whose use is limited were comprised of unspent proceeds from the issuance of long-term debt related to construction projects, amounts required to be held by bond trustees for debt service payments and amounts required to be held in escrow related to the University's self-insured health insurance program.

**NOTE 6 - INVESTMENTS:**

Investment gains reported in the consolidated statements of activities for the year ended May 31 consisted of the following:

	(in thousands)		
	2022		
	Without Donor Restrictions	With Donor Restrictions	Total
Interest, dividends, and other income	\$ 1,843	\$ 3,297	\$ 5,140
Net realized gains	47,677	77,167	124,844
Net change in unrealized gains and losses	(33,698)	(47,248)	(80,946)
Management fees and expenses	(3,666)	(5,328)	(8,994)
	<u>\$ 12,156</u>	<u>\$ 27,888</u>	<u>\$ 40,044</u>
	(in thousands)		
	2021		
	Without Donor Restrictions	With Donor Restrictions	Total
Interest, dividends, and other income	\$ 910	\$ 1,467	\$ 2,377
Net realized gains	26,270	39,522	65,792
Net change in unrealized gains and losses	89,335	152,918	242,253
Management fees and expenses	(3,260)	(4,506)	(7,766)
	<u>\$ 113,255</u>	<u>\$ 189,401</u>	<u>\$ 302,656</u>

**NOTE 6 – INVESTMENTS: (Continued)**

The University uses various external investment managers to diversify its investments. The largest allocations to any individual investment manager as of May 31, 2022 and 2021 were 9.9% and 9.7%, respectively.

At May 31, 2022, based on partnership agreements, the University was committed to invest an additional \$201,634,000 in alternative investments, which is expected to occur over the next five to ten years. Alternative investments have liquidity restrictions. Amounts can be divested only at specified times based on terms in the partnership agreements. Refer to Note 3 for additional information regarding redemption terms by asset class and type of investment. The financial statements of the limited partnerships are audited annually, generally as of December 31.

**NOTE 7 - LAND, BUILDINGS, AND EQUIPMENT:**

Land, buildings, and equipment at May 31, 2022 and 2021 consisted of the following:

	(in thousands)	
	2022	2021
Land and improvements	\$ 70,186	\$ 67,177
Buildings and improvements	1,015,388	992,887
Equipment	82,868	79,344
Construction in progress	42,888	12,582
Unamortized asset retirement costs	370	459
Aldwyn Lane Rental Properties – Land and Buildings	-	18,385
	<u>1,211,700</u>	<u>1,170,834</u>
Less accumulated depreciation	<u>(485,303)</u>	<u>(453,720)</u>
	<u>\$ 726,397</u>	<u>\$ 717,114</u>

**NOTE 8 - ACCRUED EXPENSES:**

Accrued expenses at May 31, 2022 and 2021 consisted of the following:

	(in thousands)	
	2022	2021
Faculty and Staff Salaries	\$ 18,629	\$ 17,788
Payroll Taxes	5,372	9,579
Interest on Long-Term Debt	2,532	2,727
Asset Retirement Obligations	2,359	2,375
Workers Compensation Claims	1,467	1,515
Vacation Accrual	1,967	1,916
Other	16,717	16,797
	<u>\$ 49,043</u>	<u>\$ 52,697</u>

**NOTE 9 – LEASES:**

The University has operating leases for administrative offices, remote classrooms, off-site data storage and optical fiber strands. The University's leases vary in terms of up to 25 years, including renewal periods that are considered reasonably certain. The University recognizes a right of use asset and a lease liability for operating leases based on the net present value of future minimum lease payments. Lease expense is recognized on a straight-line basis over the non-cancelable lease term, including renewal periods that are considered reasonably certain. The periods related to any renewal options deemed not reasonably certain to be exercised were excluded from the lease term with respect to the right of use asset and lease liability calculations.

**NOTE 9 – LEASES: (Continued)**

Amounts recognized in the Consolidated Financial Statements and other lease metrics for the fiscal year ending May 31, 2022 and 2021:

	(in thousands)	
	<u>2022</u>	<u>2021</u>
Lease Expense		
Operating Leases	\$ 1,378	\$ 1,276
Short-Term Leases	265	68
Variable Leases	37	
Total	<u>\$ 1,680</u>	<u>\$ 1,344</u>
	<u>2022</u>	<u>2021</u>
Other information related to Operating Leases:		
Operating cash flows	\$ 1,178,000	\$ 1,173,000
Right-of-use assets obtained in exchange for lease obligations	\$ 988,000	\$ 4,780,000
Weighted-average remaining lease term (in years)	14.75	16.16
Weighted average discount rate	0.94%	0.91%

At May 31, 2022, maturities of lease liabilities were as follows:

	(in thousands)
2023	\$ 1,329
2024	1,315
2025	1,146
2026	1,159
2027	1,134
Thereafter	<u>11,123</u>
Total	\$ 17,206
Less: Present value discount	<u>(1,170)</u>
Total lease liabilities	<u>\$ 16,036</u>

**NOTE 10 - LONG-TERM DEBT:**

Long-term debt payable at May 31, 2022 consisted of the following:

Bond Issuance	Year of Maturity	Interest Rate	(in thousands)				
			Original Face Amount	Outstanding Principal	Unamortized Premium	Unamortized Issuance Costs	
Delaware County Authority Bonds							
(a):							
2016	2031	4% - 5%	\$ 45,480	\$ 39,255	\$ 6,760	\$ (313)	
2015	2045	3% - 5%	141,270	135,355	7,647	(804)	
2014	2024	5%	52,205	25,885	2,470	(152)	
2012	2022	5%	21,285	2,850	342	(33)	
					<u>\$ 203,345</u>	<u>\$ 17,219</u>	<u>(1,302)</u>
Total						<u>\$ 219,262</u>	

Long-term debt payable at May 31, 2021 consisted of the following:

Bond Issuance	Year of Maturity	Interest Rate	(in thousands)				
			Original Face Amount	Outstanding Principal	Unamortized Premium	Unamortized Issuance Costs	
Delaware County Authority Bonds							
(a):							
2016	2031	4% - 5%	\$ 45,480	\$ 42,440	\$ 7,436	\$ (344)	
2015	2045	3% - 5%	141,270	138,380	7,965	(837)	
2014	2024	5%	52,205	31,650	3,293	(203)	
2012	2022	5%	21,285	5,555	685	(66)	
Mortgage Note – Aldwyn Lane Rental Properties	2022	7.35%		868	-	-	
					<u>\$ 218,893</u>	<u>\$ 19,379</u>	<u>(1,450)</u>
Total						<u>\$ 236,822</u>	

All proceeds from the noted bond issuances were spent on capitalized assets. In addition, total plant-related debt amounted to \$238,304,000 and \$255,936,000 for the years ended May 31, 2022 and 2021, respectively.

- (a) The University has pledged and granted to the Delaware County Authority a lien on and security interest in the University's unrestricted revenues and certain property and equipment to collateralize the annual principal maturities and interest payments which average approximately \$20,629,000 through 2027, and \$10,497,000 from 2028 to 2046. The University is required to maintain unrestricted net revenues equal to 100% of the annual debt service requirement.



**NOTE 10 - LONG-TERM DEBT: (Continued)**

Aggregate maturities of long-term debt including call provisions at 100% for each of the next five fiscal years are as follows:

	<u>(in thousands)</u>
2023	\$ 15,430
2024	16,520
2025	17,340
2026	7,530
2027	7,860
Thereafter	138,665

Interest paid on long-term debt amounted to \$9,822,000 and \$10,606,000 for the years ended May 31, 2022 and 2021, respectively. Interest expense allocated to the functional expense categories in Note 12 amounted to \$7,598,000 and \$8,319,000 for the years ended May 31, 2022 and 2021, respectively.

The Delaware County Authority bond agreements contain certain covenants, including financial covenants that require the University to generate net revenues at least equal to 100% of actual debt service requirements, and to certify that maximum annual debt service does not exceed 12% of unrestricted revenues. The University was in compliance with these requirements at May 31, 2022 and 2021.

**NOTE 11 - PENSION AND OTHER POSTRETIREMENT BENEFIT COSTS:**

The University sponsors a defined contribution retirement plan under which the University makes annual contributions for the benefit of the participants to the Teachers Insurance Annuity Association of America-College Retirement Equities Fund (TIAA-CREF), and the University has no further liability. The University's contributions to the defined contribution plan amounted to \$17,268,000 and \$15,465,000 for the years ended May 31, 2022 and 2021, respectively.

The University has a non-contributory defined benefit pension plan for certain full-time non-academic employees employed prior to May 31, 1999. Effective May 31, 2016, the defined benefit pension plan was frozen and there will be no future benefit accruals, as the result of the declining number of active employees participating in the plan, who were transitioned into the defined contribution pension plan effective June 1, 2016. The University will continue to fund the liabilities related to the benefits earned under the defined benefit pension plan prior to June 1, 2016.

In September 2021, the University notified participants in the defined benefit pension plan of its intention to fully terminate the plan effective October 31, 2021. The plan was fully funded as of May 31, 2021, and benefit accruals were frozen on May 31, 2016. It is anticipated that the termination process and the transfer of plan liabilities will be completed approximately 18 months after the plan termination date.

The University provides postretirement medical benefits to retirees who met certain eligibility requirements and retired prior to May 31, 2018. The University accrued for expected medical postretirement benefits over the years that the employees rendered the necessary service.

The University recognizes the funded status (the difference between the fair value of plan assets and the benefit obligation) of its pension and other postretirement plans in the Consolidated Statement of Financial Position, with a corresponding adjustment to net assets without donor restrictions.

The following is a reconciliation of the beginning and ending balances of the University's projected pension benefit obligation:

	<u>(in thousands)</u>	
	<u>2022</u>	<u>2021</u>
<b>Change in Benefit Obligation</b>		
Benefit obligation at the beginning of the year	\$ 61,296	\$ 64,298
Interest cost on projected benefit obligations	1,109	1,180
Actuarial (gain)/loss	(6,517)	(430)
Benefits and administrative expenses paid	<u>(3,930)</u>	<u>(3,752)</u>
Benefit obligation at the end of the year	<u>\$ 51,958</u>	<u>\$ 61,296</u>

**NOTE 11 - PENSION AND OTHER POSTRETIREMENT BENEFIT COSTS: (Continued)**

The following table includes the significant assumptions upon which the calculation of the projected benefit obligation was based:

	<u>2022</u>	<u>2021</u>
Weighted average discount rate	4.13%	2.70%
Expected long-term rate of return on assets	3.20%	3.75%

The following table sets forth the funded status and amount recognized in the University's Consolidated Statements of Financial Position for the defined benefit plan:

	<u>(in thousands)</u>	
	<u>2022</u>	<u>2021</u>
<b>Change in Plan Assets</b>		
Fair value of plan assets at beginning of year	\$ 62,485	\$ 58,937
Actual return on plan assets	(5,826)	7,239
Employer contributions	-	61
Benefits and administrative expenses paid	(3,930)	(3,752)
Fair value of plan assets at end of year	<u>\$ 52,729</u>	<u>\$ 62,485</u>
<b>Funded Status</b>		
Actuarial present value of benefit obligations:		
Projected benefit obligation	\$ (51,958)	\$ (61,296)
Plan assets at fair value	<u>52,729</u>	<u>62,485</u>
Funded Status	<u>\$ 771</u>	<u>\$ 1,189</u>

The University develops a target asset allocation for the pension assets, with the assistance of an independent investment consultant. The asset values at May 31, 2022 and May 31, 2021 are shared with the University's actuarial consultant, who utilizes a model to determine a range of reasonable expected rates of return based on the asset allocation and current capital market assumptions. The results are shared with the University and further discussed with the independent investment consultant and pension plan administrator. The expected rate of return is selected and is used in developing the net periodic benefit cost for the following fiscal year.

	<u>(in thousands)</u>	
	<u>2022</u>	<u>2021</u>
<b>Components of Net Periodic (Benefit) Cost</b>		
Interest cost on projected benefit obligation	\$ 1,109	\$ 1,180
Expected return on plan assets	(2,263)	(2,562)
Amortization of unrecognized net loss	674	1,016
Total net periodic (benefit) cost	<u>\$ (480)</u>	<u>\$ (366)</u>

The following table includes the significant assumptions upon which the calculation of the net periodic expense was recorded:

	<u>2022</u>	<u>2021</u>
Weighted average discount rate	2.69%	2.63%
Expected long-term rate of return on assets	3.75%	4.50%

**NOTE 11 - PENSION AND OTHER POSTRETIREMENT BENEFIT COSTS: (Continued)**

The expected benefit payments from the Plan in subsequent years are as follows:

Year ending	(in thousands)
May 31, 2023 <sup>1</sup>	\$ 3,708
May 31, 2024	-
May 31, 2025	-
May 31, 2026	-
May 31, 2027	-
May 31, 2028 through May 31, 2032	-

<sup>1</sup>Based on ten months of expense assuming all liabilities are settled by March 31, 2023.

The University will not be making an employer contribution during the fiscal year ending May 31, 2023.

Plan assets are allocated at May 31, 2022 and May 31, 2021 as follows:

	2022	2021
Equity Securities	0%	18%
Debt Securities	80%	80%
Alternative Investments	0%	2%
Cash & cash equivalents	20%	0%
Total	<u>100%</u>	<u>100%</u>

The plan assets are diversified among a mix of assets including international equities, fixed income, and cash. Asset mix is targeted to a specific allocation that is established by evaluating expected return, standard deviation, and correlation of various assets against the plan's long-term objectives, along with the planned plan termination. Asset performance is monitored monthly and rebalanced if asset classes exceed explicit ranges. The investment policy governs permitted types of investments. The Retirement Plans Investment Committee oversees the pension investment program and monitors investment performance, utilizing specific benchmarks and performance percentiles. Risk is closely monitored through the evaluation of portfolio holdings and tracking the portfolio performance.

The following tables present the Plan's financial instruments carried at fair value on a recurring basis as of May 31, 2022 and May 31, 2021, respectively, and indicate the fair value hierarchy of the valuation techniques that were utilized to determine such fair value, as discussed in Note 1.

	(in thousands)				
	Level 1	Level 2	Level 3	Investments at NAV	Total
Pension investment program:					
Equity securities	\$ -	\$ -	\$ -	\$ 55	\$ 55
Debt securities	-	-	-	41,945	41,945
Alternative investments				-	-
Cash & cash equivalents	10,729	-	-	-	10,729
Total at May 31, 2022	<u>\$ 10,729</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 42,000</u>	<u>\$ 52,729</u>

	(in thousands)				
	Level 1	Level 2	Level 3	Investments at NAV	Total
Pension investment program:					
Equity securities	\$ -	\$ -	\$ -	\$ 11,388	\$ 11,388
Debt securities	-	-	-	49,692	49,692
Alternative investments				1,283	1,283
Cash & cash equivalents	122	-	-	-	122
Total at May 31, 2021	<u>\$ 122</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 62,363</u>	<u>\$ 62,485</u>

**NOTE 11 - PENSION AND OTHER POSTRETIREMENT BENEFIT COSTS: (Continued)**

The components of medical postretirement benefits as of May 31, 2022 and 2021 are as follows:

	(in thousands)	
	2022	2021
Projected benefit obligation	\$ 7,436	\$ 8,967
Fair value of plan assets	-	-
Unfunded status	<u>\$ (7,436)</u>	<u>\$ (8,967)</u>
Accrued post-retirement benefits	<u>\$ (7,436)</u>	<u>\$ (8,967)</u>
Weighted-average assumptions:		
Discount rate	3.93%	2.42%

There is no healthcare cost trend rate associated with the liabilities, because the University provides a fixed subsidy for postretirement medical benefits. Benefit expense totaled \$137,000 and \$155,000 for the years ended May 31, 2022 and 2021, respectively. Benefits payments totaled \$856,000 and \$896,000 for the years ended May 31, 2022 and 2021, respectively.

The University allows faculty members that meet specific criteria for eligibility to elect to participate in an early retirement program. The accrued liability for future payments under this program amounted to \$296,000 and \$647,000 as of May 31, 2022 and 2021, respectively.

**NOTE 12 – EXPENSES BY BOTH NATURE AND FUNCTION:**

The financial statements report certain categories of expenses that are attributable to one or more programs or supporting functions of the University. These expenses include depreciation, interest on indebtedness, and facilities operations and maintenance. Depreciation is allocated based on square footage and interest is allocated based on original purpose of the borrowed funds. Costs of other categories were allocated on estimates of time and effort.

	(in thousands)					
	2022					
	Salaries and benefits	Other Operating	Depreciation	Interest	Operations and Maintenance	Total Expenses
Instruction	\$ 139,315	\$ 13,031	\$ 8,796	\$ 1,126	\$ 11,551	\$ 173,819
Research	7,753	4,099	24	47	28	11,951
Academic Support	43,373	20,528	1,593	10	1,457	66,961
Student Services	44,415	31,019	6,626	24	8,088	90,172
Institutional Support	50,855	26,739	2,963	731	2,305	83,593
Auxiliary Enterprises	22,720	22,340	14,495	4,348	16,671	80,574
Operations and Maintenance	17,828	17,158	3,802	1,312	(40,100)	-
	<u>\$ 326,259</u>	<u>\$ 134,914</u>	<u>\$ 38,299</u>	<u>\$ 7,598</u>	<u>\$ -</u>	<u>\$ 507,070</u>

	(in thousands)					
	2021					
	Salaries and benefits	Other Operating	Depreciation	Interest	Operations and Maintenance	Total Expenses
Instruction	\$ 134,288	\$ 8,103	\$ 8,597	\$ 1,450	\$ 10,839	\$ 163,277
Research	6,510	3,098	17	61	26	9,712
Academic Support	40,725	16,162	1,413	29	3,063	61,392
Student Services	41,140	15,171	6,588	32	7,492	70,423
Institutional Support	46,127	31,128	2,478	34	2,546	82,313
Auxiliary Enterprises	21,219	18,008	14,480	4,924	15,803	74,434
Operations and Maintenance	17,651	16,541	3,788	1,789	(39,769)	-
	<u>\$ 307,660</u>	<u>\$ 108,211</u>	<u>\$ 37,361</u>	<u>\$ 8,319</u>	<u>\$ -</u>	<u>\$ 461,551</u>

**NOTE 12 – EXPENSES BY BOTH NATURE AND FUNCTION: (Continued)**

Included in the above operating expenses are expenditures related to fund-raising activities for the year ended May 31, 2022 and 2021 of \$16,298,000 and \$13,264,000, respectively.

**NOTE 13 - INCOME TAX:**

The University is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. The University files IRS Form 990-T (Exempt Organization Business Income Tax Return) annually, and is anticipating a net operating income for the year ended May 31, 2022, with regards to unrelated business income reported on IRS Form 990-T.

**NOTE 14 - COMMITMENTS AND CONTINGENCIES:**

Under the terms of certain investment partnership agreements, the University and other investors are committed to fund additional investments as capital calls are exercised. Capital calls are generally exercised over a period of years and are subject to fixed expiration dates or other means of termination. The University's remaining commitments to all partnerships totaled \$201,634,000 and \$145,510,000 as of May 31, 2022 and 2021, respectively.

Outstanding commitments related to construction contracts totaled \$105,878,000 as of May 31, 2022.

The University has two unsecured lines of credit in the amounts of \$40,000,000 and \$20,000,000. No funds were drawn from these lines during the fiscal year.

**NOTE 15 - UNCONDITIONAL PROMISES AND PLEDGES:**

Contributions received, including unconditional promises, are recognized as revenue when the donor's commitment is received. Unconditional promises are recognized at the estimated present value of the future cash flows, net of allowances (fair value). Promises made that are designated for future periods or restricted by the donor for specific purposes are reported as net assets with donor restrictions. However, if a restriction is fulfilled in the same time period in which the contribution is received, the University reports the support as net assets without donor restrictions. Conditional promises are recorded when donor stipulations are substantially met.

Unconditional promises at May 31, 2022 and 2021 and the time periods in which they are expected to be realized are as follows:

	(in thousands)	
	2022	2021
In one year or less	\$ 50,148	\$ 25,217
Between one year and five years	53,955	52,482
In more than five years	1	2,331
Less: Discount	(6,203)	(4,225)
Allowance for doubtful accounts	(19,530)	(14,642)
	<u>\$ 78,371</u>	<u>\$ 61,163</u>

Estimated cash flows from pledges receivable due after one year are discounted using a base rate of the Federal Reserve Treasury constant maturities 5-year rate of return, adjusted for a risk factor related to potential write-offs of uncollectible pledges.

**NOTE 16 – RELATED PARTIES:**

The Aldwyn Lane LLC (LLC) and the Aldwyn Lane Limited Partnership (Partnership) were formed by the University for the purpose of acquiring property and office space adjacent to the campus. The LLC is 100% owned by the University, and it is the general partner in the Partnership, in which the University is the limited partner. The Partnership purchased property and office space adjacent to the campus in December 2001 and entered into an agreement to lease back the property to the previous owner for a period of twenty years. The Partnership also obtained a mortgage on the property at the time of purchase.

**NOTE 16 – RELATED PARTIES: (Continued)**

As of January 2022, the lease agreement terminated, and the mortgage on the property was fully satisfied. The University took ownership of the assets from the Partnership and will utilize them in furtherance of its tax-exempt purpose going forward.

Prior to the termination of the lease, rental income related to the property was collected by the Partnership, and mortgage payments were made by the Partnership. The title to the property and the related mortgage were both held by the Partnership. The assets and liabilities of both the Partnership and the LLC were consolidated into the University financial statements, and the net income from the rental of the property was shown as non-operating income on the consolidated statement of activities and change in net assets.

Going forward, since the property will be held by the University, there will be no transactions to eliminate during consolidation.

**NOTE 17 – SUBSEQUENT EVENTS:**

In connection with the preparation of the consolidated financial statements, the University evaluated subsequent events after the balance sheet date of May 31, 2022 through its distribution date of October 11, 2022.

# Villanova University and Subsidiaries

## Schedule of Expenditures of Federal Awards

### Year Ended May 31, 2022

Federal Program	Assistance Listing #	Direct	Pass-Through	Pass-Through Entity	Pass-Through Entity Sponsor Number	Total Expenditures	Passed to Sub-Recipients
<b>Research and Development Cluster</b>							
<b>DEPARTMENT OF COMMERCE</b>							
<b>National Oceanic and Atmospheric Administration</b>							
Sea Grant Support	11.417		63,897	Pennsylvania State University	S000153-NOAA	63,897	14,522
Coastal Zone Management Administration Awards	11.419		78,725	University of Michigan	SUBK00014137	78,725	
Sea Grant Support	11.459	2,390				2,390	
Marine Debris Program	11.999	8,457				8,457	
NOAA -Western Acquisition Division	11.RD	4,117				4,117	
<b>National Institute of Standards and Technology</b>							
Measurement and Engineering Research and Standards	11.609	79,019				79,019	
Arrangements for Interdisciplinary Research Infrastructure	11.619		(1,418)	University of Delaware	PC2.1-046	(1,418)	
<b>Total Department of Commerce</b>		<u>93,983</u>	<u>141,205</u>			<u>235,187</u>	<u>14,522</u>
<b>DEPARTMENT OF DEFENSE</b>							
<b>Office of Naval Research</b>							
Basic and Applied Scientific Research	12.300	292,779				292,779	
<b>The United States Army Medical Research Acquisition Activity</b>							
Military Medical Research and Development	12.420		63,894	Drexel University	940012	63,894	
<b>Defense Advanced Research Projects Agency</b>							
Defense Advance Research Projects Agency	12.RD		52,244	Vencore, Inc.	PO-0016880	52,244	
<b>United States Army</b>							
USACE Humphreys Engineering Center	12.RD	283,470				283,470	209,034
The United States Army Research Laboratory	12.RD		120,000	New York Institute of Technology	SUB1159026-VU1	120,000	
<b>Department of the Air Force</b>							
Airforce Research Laboratory	12.RD		55,171	Advanced Ceramics Manufacturing, LLC	FA8651-19-C-0062	55,171	
<b>Total Department of Defense</b>		<u>576,249</u>	<u>291,308</u>			<u>867,557</u>	<u>209,034</u>
<b>DEPARTMENT OF THE INTERIOR</b>							
<b>U.S. Geological Survey</b>							
National Land Remote Sensing Education Outreach and Research	15.815	-	981	California University of Pennsylvania	2021ST001-S5	981	
<b>Total Department of the Interior</b>		<u>-</u>	<u>981</u>			<u>981</u>	<u>-</u>
<b>NATIONAL AERONAUTICS AND SPACE ADMINISTRATION</b>							
<b>National Aeronautics and Space Administration</b>							
Science	43.001	267,348				267,348	11,186
Science	43.001		3,250	Smithsonian Astrophysical Observatory	G08-19067X	3,250	
Science	43.001		18,270	Smithsonian Astrophysical Observatory	G08-19009X	18,270	
Science	43.001		12,082	Smithsonian Astrophysical Observatory	G09-20095B	12,082	
Science	43.001		26,036	Smithsonian Astrophysical Observatory	G09-20040X	26,036	
Science	43.001		5,565	Smithsonian Astrophysical Observatory	G09-20010X	5,565	
Science	43.001		19,793	Smithsonian Astrophysical Observatory	G00-21020X	19,793	
Science	43.001		20,127	Smithsonian Astrophysical Observatory	G00-21032X	20,127	
Science	43.001		11,687	The SETI Institute	SC 3659	11,687	
Science	43.001		1,548	Universities Space Research Association	AGGR # 09_0194	1,548	
Science	43.001		119,038	Universities Space Research Association	GRANT 09_0537	119,038	
Science	43.001		56,697	Universities Space Research Association	SOFIA GRANT 09_0535	56,697	31,052
Space Telescope Science Institute	43.RD		9,127	Space Telescope Science Institute	HST-GO-15305.001-A	9,127	
Space Telescope Science Institute	43.RD		52,822	Space Telescope Science Institute	HST-AR-16152.001-A	52,822	
Space Telescope Science Institute	43.RD		13,802	Space Telescope Science Institute	HST-AR-16133.002-A	13,802	
Space Telescope Science Institute	43.RD		13,645	Space Telescope Science Institute	HST-GO-16230.002-A	13,645	
Universities Space Research Association	43.RD		86,459	Universities Space Research Association	09-0054	86,459	
<b>Total National Aeronautics and Space Administration</b>		<u>267,348</u>	<u>469,947</u>			<u>737,295</u>	<u>42,238</u>

See notes to the Schedule of Expenditures of Federal Awards

# Villanova University and Subsidiaries

## Schedule of Expenditures of Federal Awards

### Year Ended May 31, 2022

Federal Program	Assistance Listing #	Direct	Pass-Through	Pass-Through Entity	Pass-Through Entity Sponsor Number	Total Expenditures	Passed to Sub-Recipients
<b>NATIONAL ENDOWMENT FOR THE HUMANITIES</b>							
<b>National Endowment for the Humanities</b>							
Promotion of the Humanities Division of Preservation and Access	45.149		39,629	Northern Illinois University	G2B66828-1	39,629	
<b>Total National Endowment for the Humanities</b>		<u>-</u>	<u>39,629</u>			<u>39,629</u>	<u>-</u>
<b>NATIONAL SCIENCE FOUNDATION</b>							
<b>National Science Foundation</b>							
Engineering Grants	47.041	532,505				532,505	34,083
Mathematical and Physical Sciences	47.049	516,533				516,533	
Geosciences	47.050		54,399	Marine Biological Laboratory	OCE-1637630	54,399	
Geosciences	47.050	20,738				20,738	
Computer and Information Science and Engineering	47.070	50,697				50,697	
Biological Sciences	47.074		13,015	The Research Foundation for The State University of New York	250-1158943-87049	13,015	
Biological Sciences	47.074		5,961	University of Massachusetts Boston	B000873807	5,961	
Biological Sciences	47.074	741,395				741,395	39,983
Social, Behavioral, and Economic Sciences	47.075	307,695				307,695	21,168
Social, Behavioral, and Economic Sciences	47.075		19,930	University of Pennsylvania	580325	19,930	
Education and Human Resources	47.076	755,429				755,429	3,599
Education and Human Resources	47.076		5,800	University Corporation at Monterey Bay	5057001A-04082021-A	5,800	
Office of International and Integrative Activities	47.079	27,014				27,014	
<b>Total National Science Foundation</b>		<u>2,952,006</u>	<u>99,104</u>			<u>3,051,111</u>	<u>98,833</u>
<b>DEPARTMENT OF VETERANS AFFAIRS</b>							
<b>Department of Veterans Affairs</b>							
Department of Veterans Affairs	64.RD	14,180				14,180	
<b>Total Department of Veterans Affairs</b>		<u>14,180</u>	<u>-</u>			<u>14,180</u>	<u>-</u>
<b>DEPARTMENT OF ENERGY</b>							
<b>Department of Energy</b>							
Department of Energy	81.RD		23,169	Battelle Energy Alliance, LLC	249001	23,169	
<b>Total Department of Energy</b>		<u>-</u>	<u>23,169</u>			<u>23,169</u>	<u>-</u>
<b>NATIONAL ARCHIVES AND RECORDS ADMINISTRATION</b>							
<b>National Archives and Records Administration</b>							
National Historical Publications and Records Grants	89.003	27,184				27,184	
National Historical Publications and Records Grants	89.003	53,763				53,763	
<b>Total National Archives and Records Administration</b>		<u>80,947</u>	<u>-</u>			<u>80,947</u>	<u>-</u>
<b>DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>							
<b>Administration for Community Living</b>							
Developmental Disabilities Projects of National Significance	93.631		38,906	Rush University Medical Center	20062507-SUB02	38,906	
<b>Centers for Disease Control and Prevention</b>							
Health Program for Toxic Substances and Disease Registry	93.161		242,910	American Academy of Pediatrics	771122_VU	242,910	
Health Program for Toxic Substances and Disease Registry	93.161		72,477	American Academy of Pediatrics	1012132-VU	72,477	
Health Program for Toxic Substances and Disease Registry	93.161		7,328	American Academy of Pediatrics	PO # 100812	7,328	
<b>National Institute of Health</b>							
Environmental Health	93.113	16,626				16,626	
NIEHS Superfund Hazardous Substances_Basic Research and Education	93.143		63,106	University of Iowa	S02177-01	63,106	

See notes to the Schedule of Expenditures of Federal Awards



# Villanova University and Subsidiaries

## Schedule of Expenditures of Federal Awards

### Year Ended May 31, 2022

Federal Program	Assistance Listing #	Direct	Pass-Through	Pass-Through Entity	Pass-Through Entity Sponsor Number	Total Expenditures	Passed to Sub-Recipients
Alcohol Research Programs	93.273		7,686	Ursinus College	AGRM SIGNED 2/14/2020	7,686	
Nursing Research	93.361	457,204				457,204	34,786
Nursing Research	93.361		24,773	University of Pennsylvania	581600	24,773	
Cardiovascular Diseases Research	93.837		60,005	The Children's Hospital of Philadelphia	PO # 200086508-RSUB	60,005	
Blood Diseases and Resources Research	93.839	54,622				54,622	28,676
Diabetes, Digestive, and Kidney Diseases Extramural Research	93.847		23,022	Denver Health and Hospital Authority	A-19-0041-0001-S002	23,022	
Extramural Research Programs in the Neurosciences and Neurological Disorders	93.853		6,809	Albert Einstein College of Medicine of Yeshiva	R01NS109023	6,809	
Allergy and Infectious Diseases Research	93.855		45,922	University of Pennsylvania	579584	45,922	
Biomedical Research and Research Training	93.859		4,630	Redbud Labs, Inc.	LETTER SIGNED 07/16/2019	4,630	
Biomedical Research and Research Training	93.859		13,556	The Research Foundation of SUNY	250-1124264-86213	13,556	
Biomedical Research and Research Training	93.859	90,068				90,068	3,794
<b>Total Department of Health and Human Services</b>		<u>618,520</u>	<u>611,129</u>			<u>1,229,650</u>	<u>67,256</u>
<b>Total Research and Development Cluster</b>		<u>4,603,234</u>	<u>1,676,472</u>			<u>6,279,706</u>	<u>431,883</u>
<b>Student Financial Assistance Cluster</b>							
<b>DEPARTMENT OF EDUCATION</b>							
<b>Office of Federal Student Aid</b>							
Federal Supplemental Educational Opportunity Grants	84.007	666,938				666,938	
Federal Work-Study Program	84.033	884,059				884,059	
Federal Pell Grant Program	84.063	4,055,932				4,055,932	
Federal Direct Student Loan Program	84.268	58,582,573				58,582,573	
Outstanding Loans as of June 1, 2021	84.038	1,971,728				1,971,728	
New loans issued during 2022	84.038	-				-	
Administrative cost allowance	84.038	750				750	
<b>Perkins Loan Program</b>							
<b>Total Department of Education</b>		<u>66,161,980</u>	<u>-</u>			<u>66,161,980</u>	<u>-</u>
<b>DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>							
<b>Health Resources and Services Administration</b>							
<b>Nursing Student Loans</b>							
Outstanding Loans as of June 1, 2021	93.364	559,782				559,782	
New loans issued during 2022	93.364	85,000				85,000	
Administrative cost allowance	93.364	900				900	
<b>Nurse Faculty Loan Program</b>							
Outstanding Loans as of June 1, 2021	93.264	2,947,021				2,947,021	
New loans issued during 2022	93.264	209,871				209,871	
<b>Total Department of Health and Human Services</b>		<u>3,802,574</u>	<u>-</u>			<u>3,802,574</u>	<u>-</u>
<b>Total Student Financial Assistance Cluster</b>		<u>69,964,554</u>	<u>-</u>			<u>69,964,554</u>	<u>-</u>
<b>Highway Planning and Construction Cluster</b>							
<b>DEPARTMENT OF TRANSPORTATION</b>							
<b>Federal Highway Administration</b>							
Highway Planning and Construction	20.205		61,658	Pennsylvania Department of Transportation	PO 4300693271	61,658	
Highway Planning and Construction	20.205		106,428	Pennsylvania Department of Transportation	4400022549	106,428	
<b>Total Department of Transportation</b>		<u>-</u>	<u>168,086</u>			<u>168,086</u>	<u>-</u>
<b>Total Highway Planning and Construction Cluster</b>		<u>-</u>	<u>168,086</u>			<u>168,086</u>	<u>-</u>

See notes to the Schedule of Expenditures of Federal Awards

**Villanova University and Subsidiaries**  
**Schedule of Expenditures of Federal Awards**  
**Year Ended May 31, 2022**

Federal Program	Assistance Listing #	Direct	Pass-Through	Pass-Through Entity	Pass-Through Entity Sponsor Number	Total Expenditures	Passed to Sub-Recipients
<b>Other Programs</b>							
<b>DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>							
<b>Health Resources and Services Administration</b>							
Nurse Anesthetist Traineeship	93.124	28,631	-			28,631	
<b>Total Department of Health and Human Services</b>		<b>28,631</b>	<b>-</b>			<b>28,631</b>	
<b>DEPARTMENT OF THE TREASURY</b>							
<b>Internal Revenue Service</b>							
Low Income Taxpayer Clinics	21.008	99,328	-			99,328	
<b>Total Department of the Treasury</b>		<b>99,328</b>	<b>-</b>			<b>99,328</b>	<b>-</b>
<b>DEPARTMENT OF EDUCATION</b>							
Education Stabilization Fund	COVID-19, 84.425E	5,885,729	-			5,885,729	
Education Stabilization Fund	COVID-19, 84.425F	5,626,930	-			5,626,930	
<b>Total Department of Education</b>		<b>11,512,659</b>	<b>-</b>			<b>11,512,659</b>	
<b>Total Other Programs Cluster</b>		<b>11,640,618</b>	<b>-</b>			<b>11,640,618</b>	<b>-</b>
<b>Total Federal Award Expenditures</b>		<b>86,208,406</b>	<b>1,844,558</b>			<b>88,052,964</b>	<b>431,883</b>

See notes to the Schedule of Expenditures of Federal Awards

# Villanova University and Subsidiaries

## Notes to Schedule of Expenditures of Federal Awards

### May 31, 2022

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

The accompanying Schedule of Expenditures of Federal Awards (the “Schedule”) summarizes the expenditures of Villanova University and Subsidiaries (the “University”) under programs of the federal government for the year ended May 31, 2022. The information presented in the Schedule is presented on the accrual basis of accounting, which is in accordance with the Title 2 *U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only the federal award activity of the University, it is not intended to and does not present the financial position, changes in net assets and cash flows of the University. The University applies its predetermined approved facilities and administrative rate when charging indirect costs to federal awards rather than the 10% de minimis cost rate as described in Section 200.414 of the Uniform Guidance.

For purposes of the Schedule, federal awards include all grants, contracts and similar agreements entered into directly between the University and agencies and departments of the federal government and all sub-awards to the University by nonfederal organizations pursuant to federal grants, contracts and similar agreements.

Negative numbers in the Schedule represent adjustments to amounts reported in prior years in the normal course of business. Federal Assistance Listing numbers and pass-through numbers are provided when available.

#### 2. Student Loan Programs

The Federal Perkins Loan Program (Federal Assistance Listing #84.038) is administered directly by the University and balances and transactions relating to this program are included in the University’s consolidated financial statements. The amount of Federal Perkins loans outstanding at May 31, 2022 totaled \$1,265,814. Loans outstanding at the beginning of the year and loans made during the year are included in the federal expenditures presented in the Schedule. Also included is the amount recovered, for the year ended May 31, 2022, for administrative cost allowance from the Perkins Loan Program of \$750.

The Nursing Student Loan Program (Federal Assistance Listing #93.364) is administered directly by the University and balances and transactions relating to this program are included in the University’s consolidated financial statements. The amount of Nursing Student loans outstanding at May 31, 2022 totaled \$536,631. Loans outstanding at the beginning of the year and loans made during the year are included in the federal expenditures presented in the Schedule. Also included is the amount recovered, for the year ended May 31, 2022, for administrative cost allowance from the Nursing Student Loan of \$900.

The Nursing Faculty Loan Program (Federal Assistance Listing #93.264) is administered directly by the University and balances and transactions relating to this program are included in the University’s consolidated financial statements. The amount of Nursing Faculty loans outstanding at May 31, 2022 totaled \$2,810,856. Loans outstanding at the beginning of the year and loans made during the year are included in the federal expenditures presented in the Schedule. This program did not have an administrative cost allowance for the year ended May 31, 2022.



**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 Villanova 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 Villanova University and its subsidiaries (the “University”), which comprise the consolidated statements of financial position as of May 31, 2022, and the related consolidated statements of activities, changes in net assets, and 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 11, 2022.

**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 entity’s financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

A handwritten signature in cursive script that reads "PricewaterhouseCoopers LLP". The signature is enclosed in a thin black rectangular border.

Philadelphia, Pennsylvania  
October 11, 2022



## **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 Villanova University

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

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

We have audited Villanova University and Subsidiaries (the “University”)’s 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 May 31, 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 May 31, 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 10 "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 instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance and which are described in the accompanying schedule of



findings and questioned costs as items 2022-001. Our opinion on each major federal program is not modified with respect to these matters.

*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 View 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.

A handwritten signature in cursive script that reads "PricewaterhouseCoopers LLP" is enclosed in a thin black rectangular border.

Philadelphia, Pennsylvania  
February 28, 2023



**Villanova University and Subsidiaries**  
**Schedule of Findings and Questioned Costs**  
**Year Ended May 31, 2022**

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

**Financial Statements**

- (i) Type of auditor’s report issued: Unmodified
- (ii) Internal control over financial reporting:  
 Material weakness(es) identified?  yes  no  
 Significant deficiency(ies) identified not  
 considered to be material weaknesses?  yes  none reported
- (iii) Noncompliance material to financial  
 statements noted?  yes  no

**Federal Awards**

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

(vii) Identification of major programs:

<b>Name of Federal Program or Cluster</b>	<b>Federal Assistance Listing Number(s)</b>
Student Financial Aid Cluster	Various
COVID-19- Higher Education Emergency Relief Fund- Student and Institutional Portions	84.425E and 84.425F

- (viii) Dollar threshold used to distinguish between  
 Type A and Type B programs: \$ 750,000
- (ix) Auditee qualified as low-risk auditee?  yes  No

**Section II – Financial Statement Findings**

No matters to be reported for the year ended May 31, 2022.

# Villanova University and Subsidiaries

## Schedule of Findings and Questioned Costs

### Year Ended May 31, 2022

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

##### Finding 2022-001 Enrollment Reporting

<b>Grantor:</b>	Department of Education
<b>Program:</b>	Student Financial Assistance Cluster
<b>CFDA:</b>	84.268
<b>Title:</b>	Federal Direct Student Loan Program
<b>Award Year:</b>	6/1/2021 – 5/31/2022

##### Criteria

NSLDS Enrollment Reporting Guide 1.4 – At a minimum, schools are required to certify enrollment for all those who are included on your roster file (and) Title IV aid recipients at least every two months and within 15 days of the date that NSLDS sends a roster file to the school or its third-party service provider.

34 CFR 685.309(b) - Unless it expects to submit its next updated enrollment report to the Secretary within the next 60 days, a school must notify the Secretary within 30 days after the date the school discovers that a loan under Title IV of the Act was made to or on behalf of a student who was enrolled or accepted for enrollment at the school, and the student has ceased to be enrolled on at least a halftime basis or failed to enroll on at least a half-time basis for the period for which the loan was intended.

##### Condition

Unless expected to submit its next updated enrollment report to the Secretary within the next 60 days, the University is required to notify National Student Loan Data System (NSLDS) within 30 days of discovering that a student left the University. Of the 25 students selected for testing, three were reported to NSLDS more than 60 days after the student had left the University, ranging between 69 and 98 days with an average of 79 days.

##### Cause

The University did not implement reconciliation and review policies and procedures to ensure compliance with the criteria mentioned above.

##### Effect

For the three students, the change in status was not reported timely, as defined in the criteria above.

##### Questioned Costs

There are no questioned costs associated with this finding.

##### Recommendation

We recommend that the University implement a formalized review process with the Clearinghouse and National Student Loan Data System (NSLDS) to ensure timely reporting of student status changes.

##### Management's Views and Corrective Action Plan

Following these findings are management's views and corrective action plan.

**Villanova University and Subsidiaries  
Summary Schedule of Prior Audit Findings  
Year Ended May 31, 2022**

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**Section III – Federal Awards Findings and Questioned Costs**

No matters reported in previous years requiring an update in this report.



VILLANOVA  
UNIVERSITY

OFFICE of the REGISTRAR

**Villanova University  
Management's Views and Corrective Action Plan**

**Management's Response**

**Finding 2022-001: Enrollment Reporting - Executed in FY23**

The University agrees with this finding. As a result, the University has taken the following action:

The Office of the Registrar has adjusted their processes so that students who are on a LOA will continue to be in an AS- Active Student status for 180 days after their LOA and will have an active enrollment status (WL – LOA Withdrawn (NSC)) on the student registration form to ensure they are sent to the National Student Clearinghouse in a timely manner.

The Office of the Registrar has also adjusted their processes so that students withdrawing at the end of a semester will have an active enrollment status (WE – Withdrawn EOT) on their student registration form to ensure they are sent to the National Student Clearinghouse in a timely manner.

  
Cathy Connor  
Vice Dean of Enrollment Management

  
Sarah Caffrey  
Assistant Vice President for Finance and Controller