Tufts
UNIVERSITY

Annual Financial Report 2021

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Tufts University Highlights
(Fiscal years ended June 30, 2021 and 2016)

	2021	2016
FINANCIAL ($ in thousands)		
Total operating revenue without donor restrictions (unrestricted)	$1,028,137	$853,714
Total net assets	$3,498,375	$2,141,883
Land, buildings and equipment, net	$1,165,891	$963,996
Investments	$3,376,108	$1,961,266
Bonds and notes payable	$980,512	$649,632
CREDIT RATING		
Standard & Poor's	AA-	AA-
Moody's	Aa3	Aa2
STUDENTS		
Enrollment (full-time equivalent enrollment)		
Undergraduate	5,991	5,216
Graduate	3,390	3,267
Professional	2,095	2,013
Certificate and other	143	164
Total full-time equivalent enrollment	11,619	10,660
Undergraduate admission		
Applicants	31,198	20,223
Selectivity	11%	14%
Yield	51%	46%
SAT (mean)	1,485*	1,436
ACT (mean)	33.7*	-
Total undergraduate student charges (tuition, room, board, mandatory fees)	$76,492	$63,698
PERSONNEL		
Faculty	1,244	1,182
Staff	3,253	3,035
Total full-time equivalent	4,497	4,217
FACILITIES		
Gross square feet	5,526,370	5,333,986

Campuses – Medford/Somerville, Boston (Health Sciences campus, SMFA campus), Grafton

*Test scores for matriculating students who asked to consider their SAT/ACT scores

Tufts University
2021 Financial Report

In Fiscal Year 2021 the university produced outstanding financial results on many fronts. The operating surplus was $30.2 million, the endowment grew to $2.7 billion, the *Brighter World Campaign* achievement reached $1.2 billion of its $1.5 billion goal, and total net assets grew to $3.5 billion. To fund its many strategic priorities, (including expanding housing and dining for undergraduate students, reimagining the Medford/Somerville academic campus, and achieving carbon reduction goals), the university issued $250 million of taxable bonds. We continue to make investments in our highest priorities including: undergraduate and graduate financial aid; diversity equity, inclusion, and justice (DEIJ), which furthers our work on Tufts as an anti-racist institution; and environmental sustainability.

Outstanding investment returns helped increase net assets by $806 million in FY 2021, a 30% increase. Operating revenues exceeded $1 billion for the first time. Revenue growth was 5.9%, while expense growth was contained, growing only 4.0%, a result of strong management oversight, savings from lower activity on our campuses net of additional expenses related to maintaining the health and safety of faculty, staff and students during the pandemic.

Demand and selectivity for our undergraduate programs continued to grow, with 31,198 applications, an acceptance rate of 11.4%, and matriculation rate of 51% resulting in 1,807 first-year students representing our most diverse classes ever admitted. Since Fiscal Year 2018, we have successfully launched 36 new graduate degree and certificate programs, accounting for 5% of graduate tuition in Fiscal Year 2021. The university's full-time enrollment grew to 11,619 undergraduate and graduate students across four campuses, a 9% increase over the last five years.

Our research enterprise continues to grow. Fiscal Year 2021 was the first year of Strategies to Prevent (STOP) Spillover, a five-year $100 million USAID-funded project led by Tufts focused on reducing the risk of zoonotic viral diseases that "spillover" from animals to humans. Work is underway with the School of Medicine and Tufts Medical Center as well as its parent organization, Wellforce, to create a new research institute that will advance both institutions ability to compete for research opportunities and further align our educational missions. Importantly, this past year, Tufts was selected to join the Association of American Universities (AAU), a consortium of 66 leading research universities noted for their accomplishments in education, research and innovation. This prestigious group helps to shape policy for higher education, science, and innovation and earns the majority of competitively awarded federal funding.

This past year, the university announced a new strategic initiative focused on making Tufts an anti-racist institution. As part of the initiative, the university has identified over $57 million in spending over the next five years that will support the effort including investments in financial aid, programming, administrative support, and start-up costs for new faculty hires and for the tools required to ensure the long-term success of new, early-career faculty.

Tufts has been a leader in the fight against COVID-19. The university designed and conducted a pooled testing pilot study that combines multiple individual swabs in one collection tube enabling a broader surveillance program for K-12 students in local communities. We also received funding from the National Institute of Health (NIH) Rapid Acceleration of Diagnostics (RADx) initiative to speed innovation in developing, commercializing, and implementing COVID-19 technologies.

Informed by our experience with remote work during the pandemic, Tufts has embraced flexible work, yet another reason Tufts is an exceptional place to work; as a place where employees have the flexibility, support, and opportunity to succeed. Supporting our flexible work initiative, Tufts has enhanced its health benefits to provide all employees coverage for the same cost, regardless of location, as well as cutting edge programs

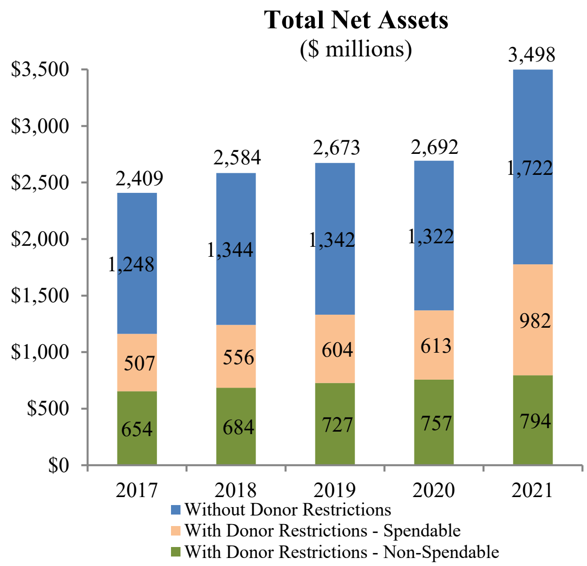
Key Financial Highlights (5-year trend)

(in millions of dollars)	**2017**	**2018**	**2019**	**2020**	**2021**
Operating revenues*	$897	$909	$954	$971	$1,028
Operating expenses*	884	904	946	960	998
Operating results*	13.1	5.4	8.5	10.9	30.2
Net assets	2,409	2,584	2,673	2,692	3,498
Endowment	1,775	1,893	1,910	1,937	2,699

* Without Donor Restrictions (Unrestricted)

to provide the best possible healthcare outcomes. Tufts' ability to be flexible and adapt to pandemic challenges has allowed the university to thrive and strengthen its competitive position, furthering our ability to serve our students, faculty, staff and mission.

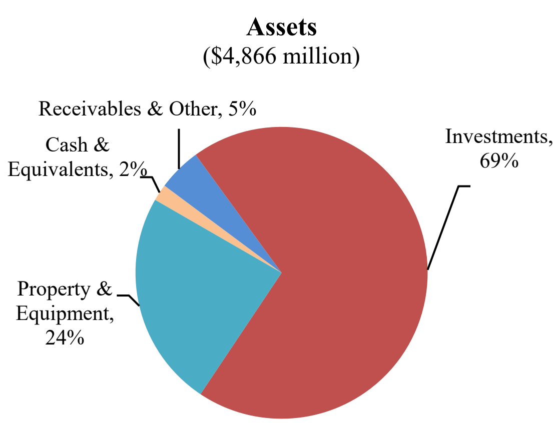
$3.5 Billion in Net Assets



STATEMENT OF FINANCIAL POSITION

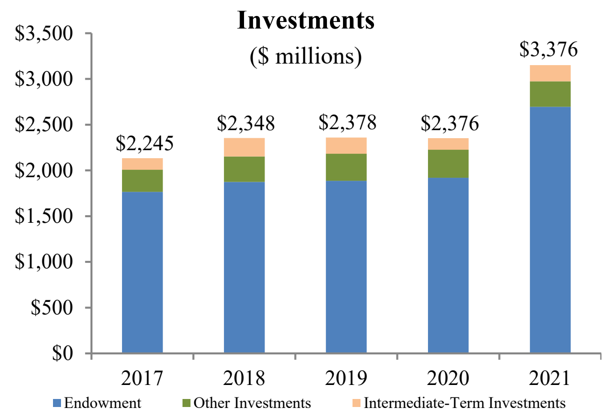
ASSETS

The university has assets of $4.87 billion, which includes investments at 69% and property and equipment at 24%. Total assets grew by $1.1 billion (29%) during the fiscal year due to increases in investments, right-of-use lease assets, cash, property and equipment, and receivables balances.



Investments

Long-term and intermediate-term investments totaled $3.38 billion at the end of Fiscal Year 2021, increasing $1.0 billion from the prior year-end. Long-term investments totaled $3.0 billion. Intermediate-term investments totaled $326.6 million. Please refer to the 2021 Endowment and Investment Report section of this report for additional discussion of the endowment and investments.



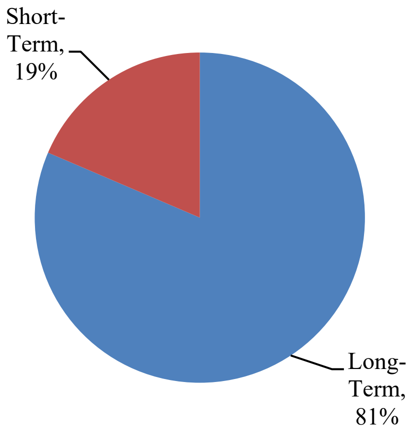
Property and Equipment

Property and equipment had a $1.2 billion book value net of depreciation at fiscal year-end, growing $9.9 million (0.9%) from the prior year. Total Fiscal Year 2021 capital expenditures were $80.4 million. Our new 148-thousand square foot Joyce Cummings Center is nearly complete with an anticipated opening in Fall 2021. Other large projects completed during the year included a new utility district on the Medford/Somerville campus and a new roof and HVAC system for the Michael Laboratory building, roof replacement for Building 20 and HVAC upgrades and partial roof work at the Large Animal Hospital Oncology Wing on the Grafton campus, and completion of the lobby and elevator project in the School of Dental Medicine on the Boston campus.

LIABILITIES

Liabilities totaled $1.4 billion at fiscal year-end, a year-over-year increase of $284 million (26.2%). This increase was primarily due to $250 million of new debt. Additional increases were from accounts payable and recording of lease liabilities due to implementation of the new Financial Accounting Standards Board (FASB) lease accounting requirements. Offsetting these increases were decreases in interest rate agreement liabilities, student pre-payments and credits, other advance payments, and government advances for student loans.

Liabilities
($1,368 million)



Long-term liabilities include bonds and notes payable, interest rate agreements, lease liabilities, and government advances for student loans. Current liabilities include accounts payable, deferred revenue, and other liabilities.

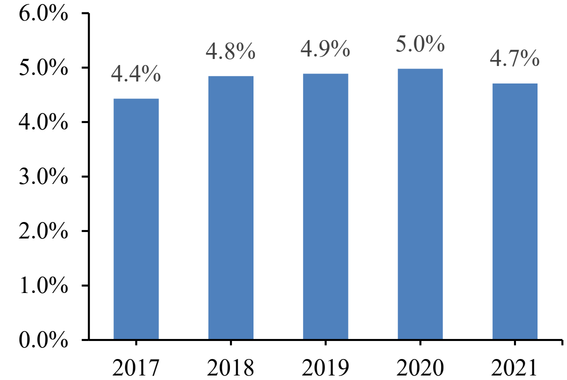
Debt

The university's outstanding debt totaled $980.5 million at June 30, 2021, an increase of $235 million from June 30, 2020. In April 2021, the university issued $250 million of Tufts University Taxable Bonds, Series 2021A, due in August 2051, to take advantage of low long-term interest rates and fund projected capital needs. The new debt was issued at an interest rate of 3.099%. The university's debt is rated Aa3 by Moody's.

The liability associated with interest rate agreements decreased from $91.2 million as of June 30, 2020 to $70.7 million as of June 30, 2021. These long-term agreements are matched to the university's variable-rate debt to effectively create fixed-rate debt obligations. The agreements do not contain financial covenants or require the university to post collateral. The liability associated with the agreements, which is a function of market interest rates, reflects the market termination cost as of June 30, 2021. The university does not intend to retire the agreements and therefore does not expect to incur the obligation for early retirement.

The university's overall weighted average cost of capital as of June 30, 2021 was 4.06% and average life was 38.9 years. The debt service-to-operating expense ratio, which measures the impact of annual debt service (interest and principal payments) on operations, was 4.7% in Fiscal Year 2021. The university's goal is to maintain debt service levels at less than 5.0% of operating expenses. That ratio has ranged from 4.4% to 5.0% in the last five years, enabling the university to maintain its strong credit ratings while benefiting from a low cost of capital.

Debt Service Ratio
(Debt Service/Operating Expenses)



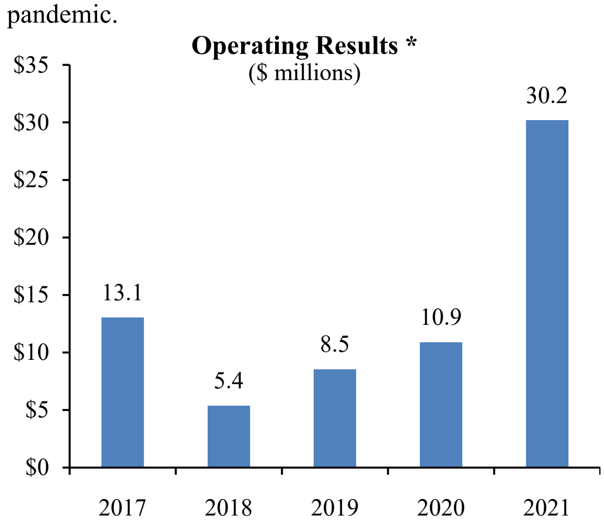
STATEMENT OF ACTIVITIES

Operating Result without Donor Restrictions

Net unrestricted operating results contributed $30.2 million to unrestricted net assets in Fiscal Year 2021, compared to $10.9 million in Fiscal Year 2020.

Unrestricted operating revenues increased $57.5 million from Fiscal Year 2020 to a total of $1,028.1 million. Growth was driven by: increases in tuition, fees, room and board due to planned rate increases and expanded enrollments; increased utilization of endowment earnings for operations; and increased government grant and contract revenue, royalty income, and gifts. These increases were offset by lower private grant revenue and decreased clinical and auxiliary revenues as a result of the pandemic.

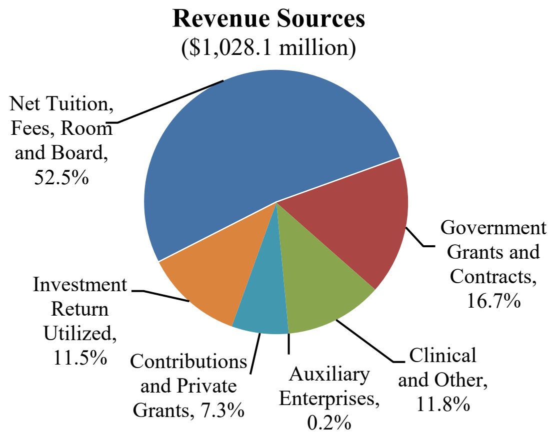
Operating expenses grew to $997.9 million in Fiscal Year 2021 from $959.7 million in Fiscal Year 2020 primarily due to more than $40 million in COVID-19 expenses as well as increases in depreciation and interest expense. These increases were offset by lower compensation and travel expenses as a result of restrictions imposed due to the pandemic.



*Without Donor Restrictions (Unrestricted)

REVENUES

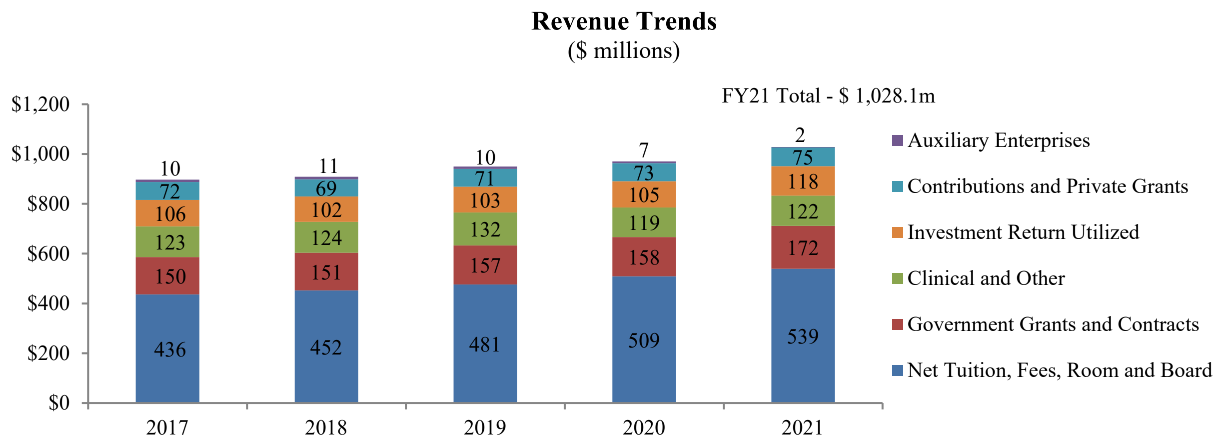
Unrestricted operating revenues increased 5.9% in Fiscal Year 2021, bringing the five-year compound annual growth rate to 3.8%. The university's diverse revenue base mitigates the impact of changes in any one revenue source.



students, including an increase of 77 undergraduate students in the School of the Museum of Fine Arts (SMFA). Enrollment in graduate and professional degree programs increased by 186 students, including: enrollments in the new doctor of physical therapy and online master's in public health programs in the School of Medicine as well as growth in online programs in health informatics at the School of Medicine and global business administration at the Fletcher School that launched in Fiscal Year 2020.

Financial Aid

Total financial aid for both undergraduate and graduate degree programs was $164.9 million in Fiscal Year 2021, an increase of 10% over Fiscal Year 2020. This amount includes $154.4 million in scholarships reported in net revenue on the Statement of Activities and another $10.5 million of aid in excess of student charges reported in expenses on the Statement of Activities. This excess, which typically represents amounts awarded to students who live off-campus to pay off-campus living expenses, was $5.1 million higher than in Fiscal Year 2020 primarily due to pass-through COVID-19 student aid provided by the federal Higher Education Emergency Relief Fund (HEERF).



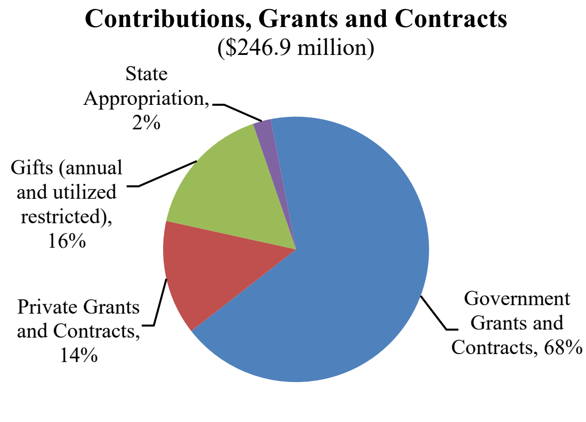
Tuition, Fees, and Room and Board

Gross tuition, fees, and room and board increased 6.2% to $693.8 million due to tuition and fee increases and an increased enrollment of 412 students. Net tuition, fees, and room and board (gross revenues minus financial aid) grew $30.6 million (6.0%) to $539.4 million. Despite refunds of $7.1 million in Fiscal Year 2020 resulting from the campus closure due to the pandemic, room and board revenue increased only $2.0 million (4.7%) as a number of undergraduate students opted to study remotely in Fiscal Year 2021.

Undergraduate total student charges increased 3.8% while undergraduate enrollment increased by 226

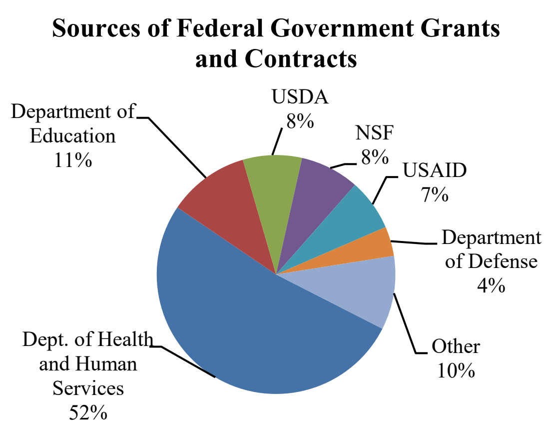
Contributions, Grants, and Contracts

Contributions, grants, and contracts (which includes government and private research grants and contracts, the Commonwealth of Massachusetts appropriation for Cummings School, annual fund gifts, and utilized restricted gifts) totaled $246.9 million, an increase of $16.0 million (6.9%) from the prior year.



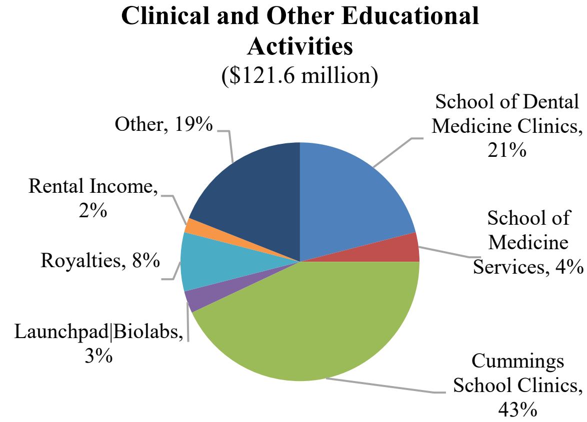
Government grants and contracts increased $14.0 million (9.2%) including an increase of $13.8 million in federal COVID-19 relief funding over Fiscal Year 2020. Gifts increased $6.3 million (18.4%) while private grants and contracts decreased $4.3 million (11.0%).

In Fiscal Year 2021, relative funding levels from U.S. government agencies were consistent with the prior year with the exception of the funding from the Department of Education which grew from 5% to 11% of total federal funding as a result of $10.7 million in HEERF grants. The majority of U.S. government-sponsored activity continues to be supported by the Department of Health and Human Services (DHHS) making up 52% of the total, including $4.2 million in Provider Relief Funds, while the U.S. Agency for International Development (USAID), U.S. Department of Agriculture (USDA), National Science Foundation (NSF), and Department of Defense (DOD), including its military components, supported another 27% of government-sponsored research



Clinical and Other Educational Activities

Revenue from clinical and other educational activities was 2.6% higher year-over-year, increasing to $121.6 million. These revenues are primarily composed of clinical revenues in Cummings School of Veterinary Medicine and the School of Dental Medicine, but also include service revenue in the School of Medicine, rent, royalties, and income from Tufts Launchpad|Biolabs.



Clinical revenues at the School of Dental Medicine declined $3.7 million (12.7%) as patient volumes declined due to COVID-19 restrictions while clinical revenue at Cummings School of Veterinary Medicine increased $3.0 million (6.1%) from Fiscal Year 2020 as pet ownership increased with more of the workforce at home during the pandemic. Clinics in both schools were operating at reduced capacity due to COVID-19 restrictions.

Royalties increased $6.6 million compared to the prior year with the assignment of a license agreement for Tufts' intellectual property to a large pharmaceutical company as part of an asset purchase agreement.

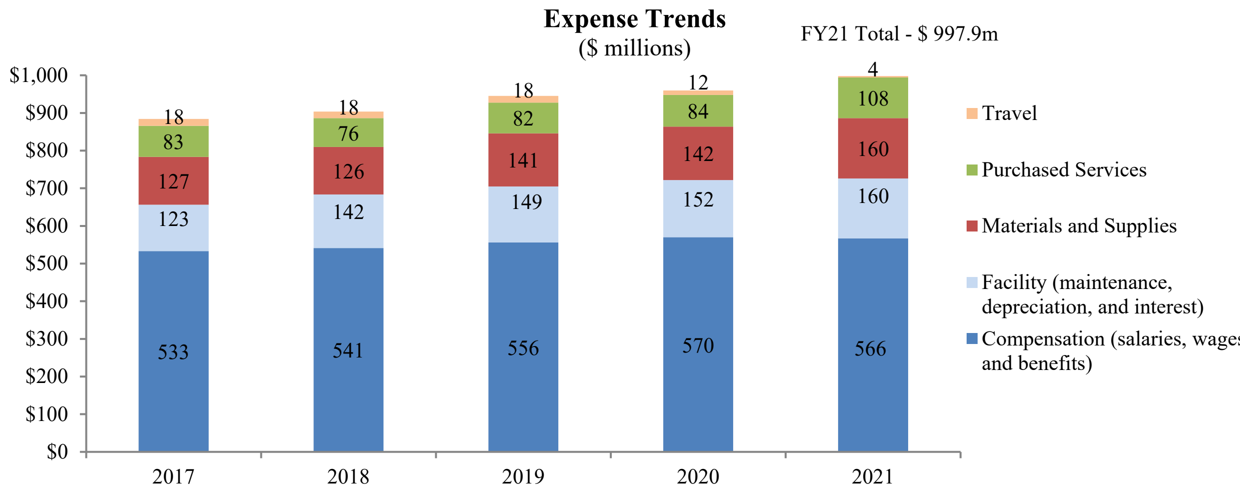
Tufts Launchpad|Biolabs continued its growth, with a 9.4% increase in revenue to $3.9 million.

Investment Return Utilized

Investment return utilized increased 12.2% to $118.3 million. This amount includes investment income distributed and utilized from the endowment and other investments as well as income earned on working capital.

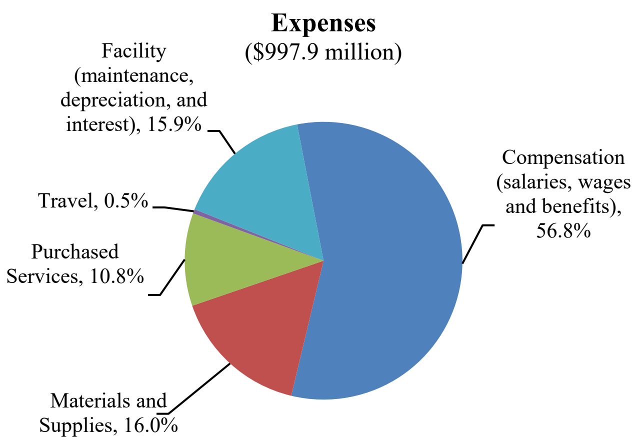
The endowment and other investment return utilized increased $15.6 million (15.7%) due to an increase in the endowment spending plan in response to the impact of COVID-19 on student enrollments and use of housing and dining, and a distribution from the Omidyar-Tufts Active Citizenship Trust. Please refer to the 2021 Endowment and Investment Report section of this report for additional discussion on the endowment and investments utilization.

The working capital income utilized decreased $2.8 million primarily due to lower short-term interest rates.



EXPENSES

Operating expenses increased 4.0% to $997.9 million, bringing the five-year compound-annual growth rate to 3.6%. While compensation remains the largest expense, compensation dropped from 59% to 57% of total expenses proportionally with increases in purchased services and materials and supplies.



Compensation Costs (Salaries, Wages, and Benefits)

Compensation costs decreased $3.6 million (0.6%) to $566.4 million in Fiscal Year 2021, causing the five-year compound annual growth rate to decrease to 2.9%.

The salaries and wages component of compensation costs decreased $4.9 million (1.0%). The merit pool was eliminated and hiring was slowed to offset the financial impacts of the pandemic. The five-year compounded annual growth rate for salaries and wages for faculty and staff was 2.8% and 2.7%, respectively.

Benefit expenses totaled $107.4 million in Fiscal Year 2021, a 1.2% increase over the prior year. Health insurance, contributions to the university's 401(a) plan, and employer payroll taxes make up 90% of benefits costs. The five-year compounded annual growth rate in benefits was 3.6% through Fiscal Year 2021.

The university has a self-insured medical plan for employees in lieu of a premium only/fully insured plan. As a result, those costs for claims accrue directly to the employer and employees. Medical costs increased 16.2% year-over-year as medical visits and procedures recovered from restrictions in place at the end of Fiscal Year 2020 due to COVID-19.

Non-Compensation Costs

Non-compensation costs, totaling $431.5 million for the year, increased $41.8 million (10.7%) from Fiscal Year 2020 causing an increase in the five-year compounded annual growth rate to 4.6% at the end of Fiscal Year 2021. This increase is primarily the result of costs related to Tufts' COVID-19 response, including comprehensive surveillance testing, the cost of personal protective equipment, student housing and meal support, classroom technology improvements and rental of modular units for isolation housing.

Materials and supplies costs (e.g., consumables, rent, periodicals, aid, and software) increased $17.9 million (12.6%) due, in part, to increased rent expenses for the modular units and for academic buildings on the SMFA campus, increased technology expenses, increased lab supply expenses, an accounting adjustment for adoption of the new lease accounting standard, and pass-through COVID-19 student aid provided through the federal Higher Education Emergency Relief Fund. These increases were partially offset by lower spending on catering and other supplies as a result of lower activity across all four campuses.

Purchased services costs (e.g., subcontracted services on grants and contracts and professional, consulting, and legal services) increased $24.2 million (28.8%) primarily due to costs for the COVID-19 surveillance testing program and increases in revenue share costs related to royalties and online program delivery. These increases were offset by a decrease in subcontracting costs on grants and contracts.

Facilities related costs (facilities and maintenance, depreciation, and interest) increased $7.8 million (5.1%). Facilities and maintenance costs (e.g., utilities, custodial service, and repairs and replacements) increased $4.9 million (9.1%), primarily due to increased cleaning supplies, custodial services and installation costs of the modular units related to the COVID-19 response. Depreciation increased $1.8 million (2.8%) due to additional depreciation related to completed projects. Interest expenses increased $1 million (3.2%) resulting from the new debt issuance.

Travel cost decreased $8.1 million (68.4%) due to reduced travel and events during the pandemic.

STATEMENT OF ACTIVITIES

Operating Results with Donor Restrictions and Non-operating Activities

Restricted Operating Results

Operating results with donor restrictions added $5.5 million to net assets. This amount includes $21.2 million in unconditional restricted private grant funding received or awarded and $26.3 million in restricted contributions received or pledged. This was offset by $61.9 million in assets released for use for which restriction were met, including $23.9 million of private grant funding, $18.1 million in restricted contributions, and $19.9 million of restricted endowment distributions.

Non-Operating Activities

Non-operating activities resulted in a gain of $770.2 million to the university's net assets in Fiscal Year 2021.

Investment returns reinvested net of utilization to support operations resulted in a gain of $702.6 million. This was due to strong investment returns and the fact that the return on investments was more than the distribution for use from those investments. Please refer to 2021 Endowment and Investment Report section of this report for additional discussion on the endowment and investments.

Non-operating contributions and grants (endowed gifts, capital gifts, gifts-in-kind, capital grants and bequests received) added $52.3 million to the university's net assets predominantly due to $35.8 million in endowment contributions, $7.8 million in capital grants, and $6.7 million in gifts for facilities.

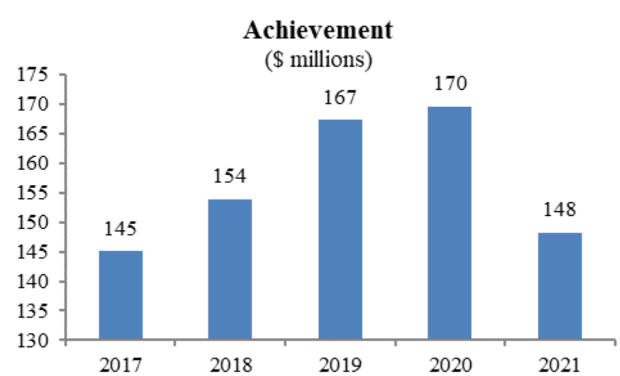
At the end of Fiscal Year 2021 the university recorded a $20.5 million gain related to long-term interest rate agreements. The liability associated with these agreements decreased as a result of year-over-year increases in market interest rates.

ADVANCEMENT

$1.2 billion for the Brighter World Campaign

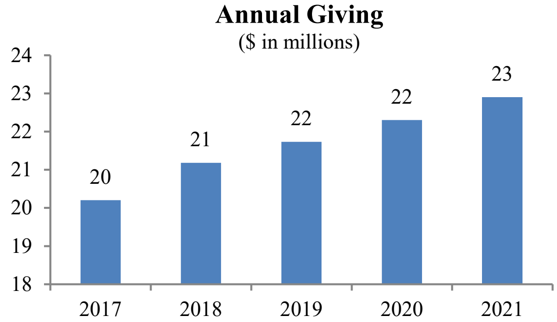
In Fiscal Year 2018, Tufts publicly launched the largest fundraising initiative in its history, a $1.5 billion comprehensive fundraising campaign called *Brighter World: The Campaign for Tufts*. The campaign is strengthening Tufts' unique constellation of schools, expanding access to an increasingly diverse student population, enabling innovative research in fields where Tufts has distinctive strengths, and helping to sharpen the university's focus and ability to influence and improve the world through civic engagement.

As of June 30, 2021, Tufts has raised 79% of the *Brighter World Campaign* goal with cumulative gifts and pledges (achievement) totaling $1.2 billion. Alumni, parents, friends, corporations and foundations have all contributed to the campaign, with 44% of the total raised from university alumni. Cumulative campaign support directed to financial aid totals $249 million. $410 million has been raised to support the university's endowment.



In Fiscal Year 2021 the university exceeded its 2021 fundraising goal of $140 million, securing $148 million in new pledges and gifts. This was the seventh consecutive year of more than $100 million in achievement. About one half of fiscal year achievement, $76 million, was in support of teaching and research. Nearly $525 million has now been raised for this campaign priority over the course of the *Brighter World Campaign*. Endowed gifts and pledges totaled $52.3 million, $16 million of which was designated for financial aid. The university's annual fund, which provides support for the university's most immediate needs and priorities, accounted for $22.9

million of the funds raised. In Fiscal Year 2021, about 33,000 individual donors supported Tufts.



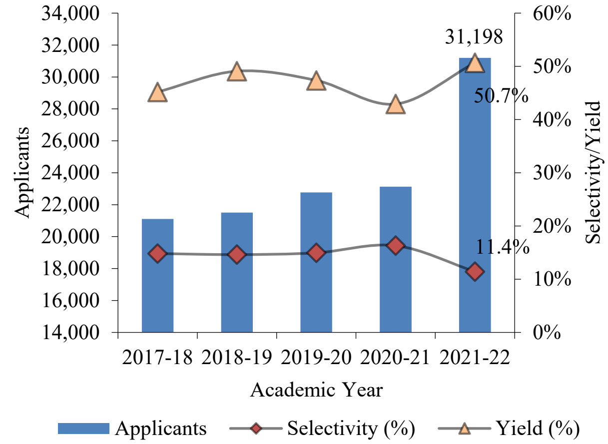
Corporations and foundations provided more than $36 million in new commitments in Fiscal Year 2021. Planned gifts added nearly $31 million in achievement. Planned gifts have contributed nearly $218 million to the campaign thus far. We have now welcomed 957 new members to the Charles Tufts Society (for individuals who have included Tufts in their estate plans) over the course of the campaign, continuing to support our goal of adding 1,000 new members.

UNDERGRADUATE STUDENT DEMAND AND QUALITY

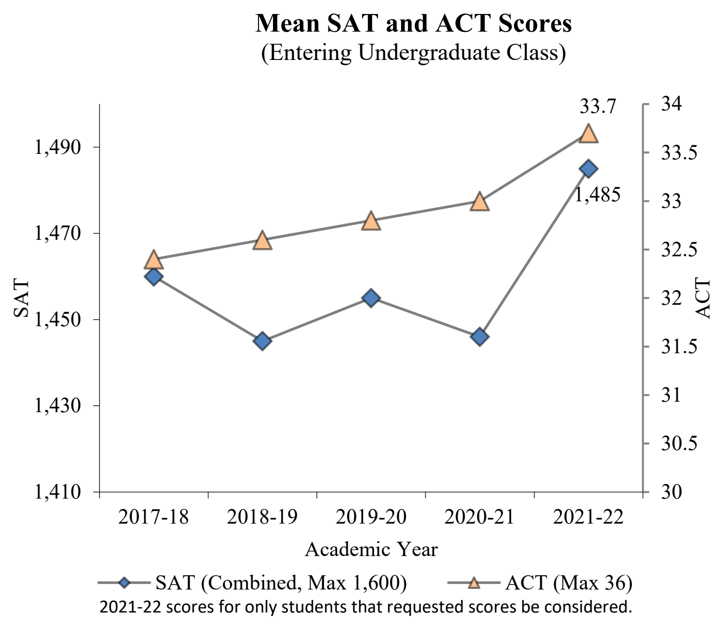
The university continues to experience strong student demand, an important contributor to Tufts' financial strength. For Academic Year 2020–21, the number of undergraduate applicants increased to 31,198, with an entering undergraduate class of 1,807 students.

Tufts continues to be a highly selective university. For Academic Year 2021–2022, the number of applicants who were accepted stood at 11.4% and the percentage of students accepted who matriculated was 50.7%; continuing long-term trends that illustrate Tufts' continued strength in the marketplace. The graph at right shows these trends for the entering Class of 2025. As a strong indication of Tufts as a first-choice university, Tufts received 3,019 Early Decision applications, the highest ever received.

Undergraduate Student Demand



The quality of matriculating undergraduate students as measured by SAT and ACT scores continues to be excellent. The mean combined SAT scores and ACT scores of Tufts' entering undergraduate class reflects continuing high student quality and mirrors the scores of students at other highly selective institutions.



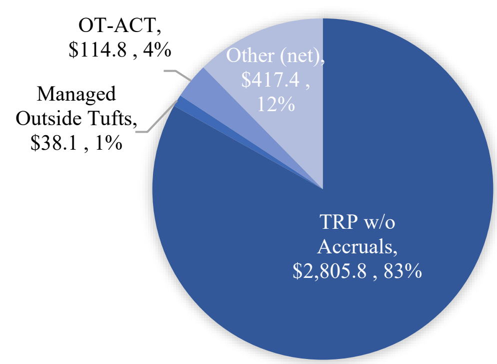
Tufts University
2021 Endowment and Investment Report

The Board and Investment Committee at Tufts look at the endowment return over multiple periods, and not any single year, to provide a base of support for the university's activities. Endowment assets of the university are invested in a diversified manner. This should allow the endowment to produce results that meet the core objective of supporting the current operating budget while still preserving and enhancing the value of the endowment so that future generations can enjoy the same standard of excellence as Tufts' current generation of faculty and students. In FY 2021, the portfolio returned 38.7%. Detailed performance information is provided below.

In addition to selecting and monitoring the investments in the endowment, the Investment Committee and Investment Office support all the constituencies of the university, including donors, administrators and University Advancement, in understanding the strategic value of endowment to the university's long-term financial health. This year, there was meaningful coordination and communication between the Investment Office and the University Finance team with respect to managing through the on-going impacts of the pandemic and conducting longer-term strategic financial planning.

The university's long-term and intermediate-term assets stood at $3.4 billion at the end of Fiscal Year 2021. Of these, $2.7 billion are endowment assets. Endowment assets include funds from multiple sources. A meaningful component are funds designated as unrestricted by the Board of Trustees, transferred to the endowment in the early years of the last decade when the university produced operating surpluses. Another critically important component of endowment is funds established by individual donors, each supporting a specific purpose within each of the university's schools. Other components include life income trusts, separately managed accounts, and the Omidyar-Tufts Active Citizenship Trust (OT-ACT).

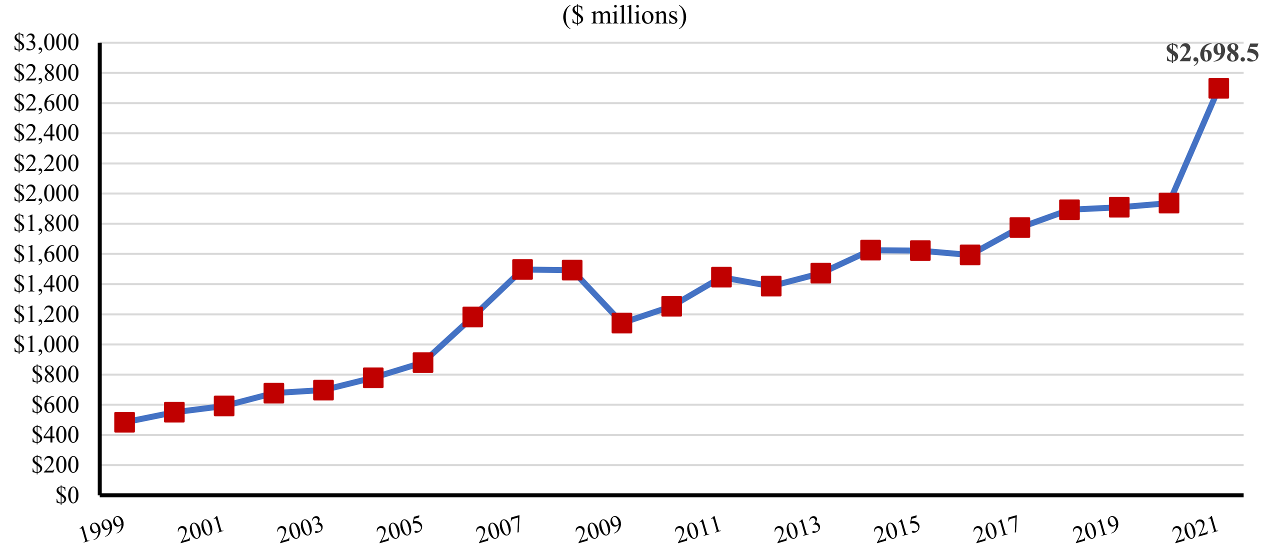
Total Intermediate and Long-Term Assets
$3,376.1 million as of June 30, 2021



Investment Objectives and Strategy

The value of the Total Return Pool (TRP), where the majority of the long-term assets (both endowment and non-endowment) are invested, was $2.8 billion as of June 30, 2021. Of this balance, $2.5 billion belonged to the endowment and the balance to other long-term investments. The pool's target long-term rate of return

Total Endowment
($ millions)



of payout plus inflation represents a dual objective of steady support for university operations while ensuring the preservation of long-term value for future generations of students and faculty.

Performance

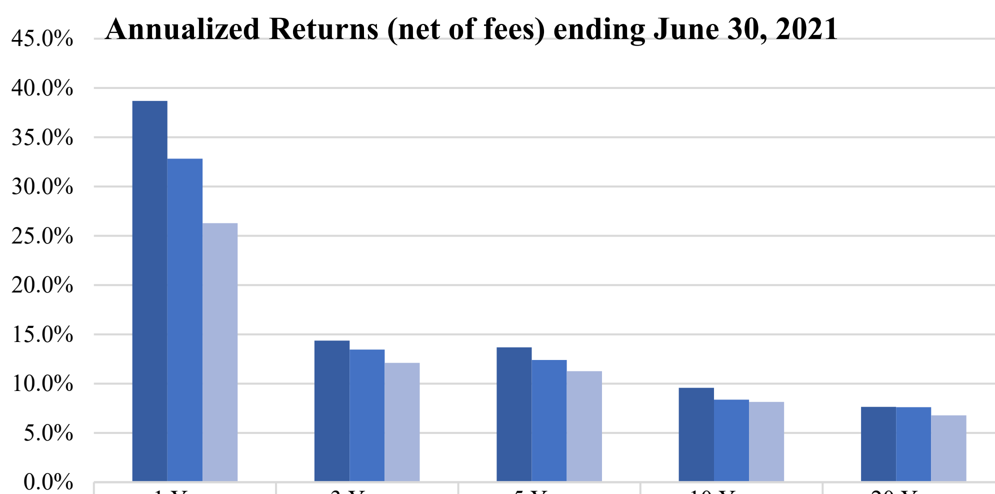
Despite the economic and health challenges associated with the on-going pandemic, capital markets performed exceptionally well in Fiscal Year 2021. Substantial financial support from monetary and fiscal policy around the world and the rebound caused by economies "re-opening" yielded a very favorable market recovery across many asset classes. The U.S. equity market returned 40.8%, non-U.S. developed equity markets returned 33.6%, and emerging markets equity returned 40.9%. Broad U.S. bond markets were down -0.3%, as interest rates increased from lows experienced in March 2020.

As noted above, the TRP is highly diversified and seeks to meet long-term return objectives in multiple market environments while mitigating a portion of the downside risk associated with an equity-biased portfolio. The TRP's performance is compared against two benchmarks: a custom reference benchmark, which reflects the portfolio's strategic asset allocation, and an investment policy benchmark, which reflects the performance of a simple 70% global equity / 30% U.S. bond portfolio.

For Fiscal Year 2021, the TRP returned 38.7%, which exceeded the reference benchmark return of 32.8% and the investment policy benchmark return of 26.3%. As of June 30, 2021, the TRP's returns over 3-, 5-, 10-, and 20-years exceed the returns of both benchmarks. In addition, the TRP's return has exceeded the policy objective (payout plus inflation) over 1-, 3-, 5-, 10-, and 20-years, thus preserving the endowment's real purchasing power in support of future generations.

Fiscal Year Summary

Fiscal Year 2021 was an active period for the Investment Office. In addition to the rebalancing required to maintain the portfolio's risk profile during a volatile market period, the Investment Office was able to opportunistically invest in a number of high-quality investment managers who have already positively impacted the TRP's investment performance. Long-term secular themes, such as healthcare and life sciences innovation and acceleration of technology adoption across consumer and enterprise markets, remain well-represented in the portfolio.



	1 Year	3 Years	5 Years	10 Years	20 Years
Tufts Actual*	38.7%	14.4%	13.7%	9.6%	7.6%
Tufts Reference Portfolio	32.8%	13.5%	12.4%	8.4%	7.6%
Tufts Investment Policy	26.3%	12.1%	11.3%	8.2%	6.8%

*Tufts Actual returns are gross of administrative fees.

Report of Independent Auditors

To the Board of Trustees of Tufts University:

We have audited the accompanying consolidated financial statements of Tufts University and its subsidiaries (the "University"), which comprise the consolidated statements of financial position as of June 30, 2021 and 2020, and the related consolidated statements of activities for the year ended June 30, 2021, and of cash flows for the years ended June 30, 2021 and June 30, 2020.

Management's Responsibility 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; this includes 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.

Auditors' Responsibility

Our responsibility is to express an opinion on the consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

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

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Tufts University and its subsidiaries as of June 30, 2021 and 2020, the changes in their net assets for the year ended June 30, 2021, and their cash flows for the years ended June 30, 2021 and June 30, 2020 in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 2 to the consolidated financial statements, the University changed the manner in which it accounts for leases in fiscal year 2021. Our opinion is not modified with respect to this matter.

Other Matter

We previously audited the consolidated statement of financial position as of June 30, 2020, and the related consolidated statements of activities and of cash flows for the year then ended (the statement of activities is not presented herein), and in our report dated November 5, 2020, we expressed an unmodified opinion on those consolidated financial statements. In our opinion, the information set forth in the accompanying summarized financial information as of June 30, 2020 and for the year then ended is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

PricewaterhouseCoopers LLP

November 2, 2021

PricewaterhouseCoopers LLP, 101 Seaport Boulevard Suite 500 Boston, Massachusetts 02210
T: 617 530 5000, www.pwc.com/us

TUFTS UNIVERSITY

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS OF JUNE 30, 2021 AND JUNE 30, 2020 (in thousands)

	2021	2020
ASSETS		
Cash and cash equivalents	$ 90,553	$ 69,539
Investments, intermediate-term	326,617	176,876
Receivables and other assets, net	68,546	48,903
Contributions receivable, net	85,011	84,529
Notes and student loans receivable, net	39,457	41,067
Right of use assets - operating leases	40,417	-
Investments, long-term	3,049,491	2,199,052
Land, buildings, and equipment, net	1,165,891	1,155,960
TOTAL ASSETS	$ 4,865,983	$ 3,775,926
LIABILITIES AND NET ASSETS		
LIABILITIES:		
Accounts payable and accrued expenses	$ 208,101	$ 175,188
Deferred revenue and deposits	45,745	53,118
Bonds and notes payable	980,512	745,436
Interest rate agreements	70,737	91,233
Lease liability - operating leases	46,508	-
Government advances for student loans	16,005	18,550
Total liabilities	1,367,608	1,083,525
NET ASSETS:		
Without donor restrictions	1,721,931	1,322,472
With donor restrictions:		
Spendable	981,737	613,281
Non-Spendable	794,707	756,648
Total net assets with donor restrictions:	1,776,444	1,369,929
Total net assets	3,498,375	2,692,401
TOTAL LIABILITIES AND NET ASSETS	$ 4,865,983	$ 3,775,926

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

TUFTS UNIVERSITY

CONSOLIDATED STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2021, WITH SUMMARIZED INFORMATION FOR THE YEAR ENDED JUNE 30, 2020 (in thousands)

	Without donor restrictions	With donor restrictions	Total 2021	Total 2020
OPERATIONS:				
REVENUE AND OTHER SUPPORT:				
Tuition and fees, room and board (net of scholarships, see Note 2)	$ 539,385	$ -	$ 539,385	$ 508,813
Government grants and contracts	172,001	-	172,001	157,958
Clinical and other educational activities	121,624	-	121,624	118,543
Auxiliary enterprises	1,948	-	1,948	6,954
Contributions and private grants	32,870	47,535	80,405	105,564
Investment return utilized	98,418	19,906	118,324	105,486
Net assets released from restrictions	61,891	(61,891)	-	-
Total revenue and other support	1,028,137	5,550	1,033,687	1,003,318
EXPENSES:				
Salaries, wages and benefits	566,431	-	566,431	569,984
Materials, supplies and other	160,233	-	160,233	142,292
Purchased services	108,133	-	108,133	83,963
Facility and maintenance costs	58,932	-	58,932	54,006
Depreciation	68,089	-	68,089	66,248
Interest	32,321	-	32,321	31,324
Travel	3,748	-	3,748	11,869
Total expenses	997,887	-	997,887	959,686
INCREASE IN NET ASSETS FROM OPERATING ACTIVITIES	30,250	5,550	35,800	43,632
NONOPERATING ACTIVITIES:				
Investment return reinvested (utilized), net	316,529	386,045	702,574	(39,209)
Contributions and grants, spendable	12,207	6,369	18,576	11,122
Contributions and grants, non-spendable	-	33,682	33,682	33,906
Net assets released from restrictions for capital and other nonoperating purposes	25,131	(25,131)	-	-
Net unrealized gain (loss) on interest rate agreements	20,496	-	20,496	(22,316)
Change in funded status of postretirement health care plan	3,462	-	3,462	(794)
Other nonoperating activities	(8,616)	-	(8,616)	(6,596)
INCREASE (DECREASE) IN NET ASSETS FROM NONOPERATING ACTIVITIES	369,209	400,965	770,174	(23,887)
INCREASE IN NET ASSETS	399,459	406,515	805,974	19,745
NET ASSETS—Beginning of year	1,322,472	1,369,929	2,692,401	2,672,656
NET ASSETS—End of year	$ 1,721,931	$ 1,776,444	$ 3,498,375	$ 2,692,401

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

TUFTS UNIVERSITY

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2021 AND JUNE 30, 2020 (in thousands)

	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES:		
Total increase in net assets	$ 805,974	$ 19,745
Adjustments to reconcile total increase in net assets to net cash and cash equivalents provided by operating activities:		
Net realized and unrealized investment (gains)	(802,811)	(52,551)
Depreciation and amortization	70,856	67,525
Non-cash lease expense	17,774	-
Loss on disposal of fixed assets	415	2,089
Gifts of intangible assets	-	(8,600)
Gifts of securities, property and equipment	(10,945)	(10,805)
Proceeds from sales of donated securities	4,740	3,438
Settlements on interest rate swap agreements	8,832	7,259
Net unrealized (gain) loss on interest rate agreements	(20,496)	22,316
Contributions restricted for long-term investment	(28,028)	(33,948)
Changes in operating assets and liabilities:		
Receivables and other assets	(20,768)	8,196
Contributions receivable	(482)	(4,373)
Operating lease liabilities	(11,683)	-
Accounts payable and accrued expenses	32,358	10,777
Deferred revenue and deposits	(7,373)	2,064
Net cash, cash equivalents and restricted cash provided by operating activities	38,363	33,132
CASH FLOWS FROM INVESTING ACTIVITIES:		
Notes and student loans granted	(5,900)	(5,259)
Student loans repaid	7,510	7,123
Purchases of investments	(2,839,513)	(1,566,230)
Proceeds from sale of investments	2,774,509	1,601,234
Additions to land, buildings, and equipment	(79,879)	(118,709)
Net cash, cash equivalents and restricted cash (used in) investing activities	(143,273)	(81,841)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Decrease in government advances for student loans	(2,545)	(5,172)
Proceeds from issuance of bonds and notes	250,033	-
Repayments of bonds and notes	(14,094)	(12,272)
Proceeds from line of credit draws	95,000	-
Repayments of line of credit draws	(95,000)	-
Cash paid on interest rate swap agreements	(8,832)	(7,259)
Proceeds from contributions restricted for long-term investment	28,028	33,948
Proceeds from sales of donated securities restricted for long-term purposes	5,688	6,818
Net cash, cash equivalents and restricted cash provided by financing activities	258,278	16,063
Net increase (decrease) in cash, cash equivalents and restricted cash	153,368	(32,646)
Cash, cash equivalents and restricted cash—Beginning of year	135,100	167,746
Cash, cash equivalents and restricted cash—End of year	$ 288,468	$ 135,100
Supplemental Information on Cash, Cash Equivalents and Restricted Cash:		
Cash as shown in the statements of financial position	$ 90,553	$ 69,539
Restricted cash included in investments (see Note 6 and 12)	197,914	65,550
Restricted cash included in other assets (see Note 3)	1	11
Total cash, cash equivalents and restricted cash as shown on the Consolidated Statement of Cash Flows	$ 288,468	$ 135,100
Supplemental Data:		
Cash paid for interest, net of amounts capitalized (see Note 7)	$ 34,496	$ 35,502
Construction amounts remaining in accounts payable	$ 9,500	$ 8,945
Gifts of securities, property and equipment	$ 10,945	$ 10,805

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

1. ORGANIZATION

Tufts University (the "University"), founded in 1852, is a not-for-profit institution committed to education and research. The University is a complex, independent nonsectarian university, with approximately 11,600 students and four campuses in Boston, Medford/Somerville and Grafton, Massachusetts. The University provides degree programs at both undergraduate and graduate levels in a variety of liberal arts and professional areas. The University has been granted a tax-exemption as described in Section 501(c)(3) of the Internal Revenue Code (the "Code") and is generally exempt from income taxes pursuant to Section 501(a) of the Code.

The following organizations are included in the consolidated financial statements of the University:

Walnut Hill Properties Corporation ("Walnut Hill")—Walnut Hill is a not-for-profit corporation established by the University to own and manage certain investment and rental properties.

Tufts Veterinary Emergency Treatment & Specialties ("Tufts VETS")—Tufts VETS is a not-for-profit corporation organized by the University to provide emergency and specialty veterinary services in a community environment. It provides postgraduate training in its emergency and critical care training program and training to veterinary students on elective rotations.

Tufts Media LLC ("Tufts Media")—Tufts Media is a single member limited liability company created by the University to operate its consumer publishing and media capability.

JM Holding Corporation ("JM Holdings")—JM Holdings is a for-profit development corporation created by the University to develop approximately 100 acres designated for commercial use in Grafton Science Park on the Cummings School of Veterinary Medicine campus. At this time, JM Holdings and the Cummings School are working to identify potential life science tenants who need a greenfield site to construct new research and development, office, or bio-manufacturing facilities.

Omidyar–Tufts Active Citizenship Trust ("OT-ACT")— OT-ACT (or the "Fund") was organized in October 2005 as a charitable trust to support, benefit and carry out the purposes of public charity beneficiaries, including the University, by engaging in two activities: promoting the relief of the poor and distressed through microfinance investments, and promoting education through grants. The capital assets of the Fund were contributed by a third party and, according to the donor's stipulation, were to be invested in microfinance-related ventures. In 2006, a $100 million contribution to establish the Fund was recorded in net assets with donor restrictions. In March 2020, the Trust Agreement was amended in order to remove certain limitations on the charitable activities described therein and thereby make the trust assets more productive, enhance the Fund's impact and increase the Trustee's ability to achieve the Fund's charitable purposes. The majority of OT-ACT's trustees are appointed by the University. Investments associated with these funds are recorded in net assets with donor restrictions.

Tufts Global, Inc ("Tufts Global")—Tufts Global is a not-for-profit corporation formed as a supporting organization of the University to conduct, support, and facilitate educational and research activities resulting from grant-funded projects within and outside of the United States.

BrainGate, Inc ("BrainGate")—Braingate is a for-profit corporation donated to the University in September 2019. BrainGate owns patents that are the basis of a transformative neurotechnology that uses micro-electrodes implanted in the brain to let humans operate external devices such as computers or robotic arms with just their thought. BrainGate was donated to Tufts to facilitate further research and practical applications of the technology.

The assets of any of the organizations included in the consolidated financial statements may not be available to meet the obligations of the other entities.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation—The accompanying consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America on the accrual basis with net assets and revenues, expenses, gains and losses classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the University are classified and reported as follows:

Net assets with donor restrictions—Net assets subject to donor-imposed stipulations that are maintained in perpetuity by the University consisting primarily of donor-restricted endowment funds (non-spendable), and also net assets subject to donor-imposed stipulations that may be satisfied by actions of the University that will expire with the passage of time or the occurrence of specific events (spendable).

Net assets without donor restrictions —Net assets not subject to donor-imposed stipulations. Net assets without donor restrictions may be designated for specific purposes.

Consolidation—The consolidated financial statements include the accounts of the University and its wholly owned or controlled subsidiaries. Intercompany accounts and transactions have been eliminated.

Classifications—Expenses are reported as decreases in net assets without donor restrictions. Gains and losses on investments are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulations or by law. Contributions and investment return for operating activities subject to donor-imposed stipulations not utilized in the current period are released from net assets with donor restrictions when spent and are reported as net assets released from restrictions under revenue from operating activities. Expirations of all other net assets with donor restrictions (spendable) for capitalized long-term purposes are reported in the nonoperating section of the statement of activities.

Contributions—Contributions, including unconditional promises to give, are recognized as revenue in the period received. Contributions restricted for the acquisition of land, buildings, and equipment are reported as increases in net assets with donor restrictions. These contributions are reclassified to net assets without donor restrictions as the funds are expended, or in the case of construction, when the related assets are placed in service. Promises to give subject to donor-imposed stipulations that the corpus be maintained in perpetuity are recognized as increases in net assets with donor restrictions (non-spendable). Fundraising expenses totaled approximately $23,100,000 and $24,300,000 for the years ended June 30, 2021 and 2020, respectively.

Conditional promises to give are not recognized until the conditions on which they depend are substantially met. Contributions of assets other than cash are reported at their estimated fair value at the date of gift. Pledges for contributions scheduled to be received after one year are discounted using factors that approximate the risk and the expected term of the promise to give. Amortization of the discount is recorded as additional contributions in the appropriate net asset class.

Investments, long-term—Investments are reported at fair value. Dividends, interest, gains, and losses on investments are reported as increases or decreases:

- in net assets with donor restrictions (non-spendable) if the terms of the gift require that they be added to the principal of a permanent endowment or loan fund;
- in net assets with donor restrictions (spendable) if the terms of the gift or relevant state law impose restrictions on the current use of the income or net gains. The University has relied on the Massachusetts Attorney General's interpretation of relevant state law that unappropriated endowment gains should generally be classified as net assets with donor restrictions; and
- in net assets without donor restrictions in all other cases.

Investments are comprised of the assets of the University's endowment and non-endowment funds. The majority of these assets are invested in the University's Total Return Pool (TRP). The TRP assets are owned by participating funds based on shares acquired by each fund when it entered the pool. The fair value of the pooled assets is determined each month and the resulting value per share is used to account for funds entering or leaving the pool. The University has established spending policies for endowment and non-endowment investments in the TRP as follows:

Endowment Spending Policy—The Board of Trustees determines the method to be used to appropriate endowment funds for expenditure. The objective of the policy is to ensure that endowment income available to support operations is stable and predictable, while at the same time increases over time to offset the effects of inflation. Endowment funds receive income distributions equal to the current spending level of all funds in the TRP.

As of July 1, 2017, the University Endowment Spending Policy applicable to the TRP maintained an annual spending rate in a range of 4% to 5% of the twelve-quarter moving average ended September 30 of the previous year. Beginning in fiscal year 2019, the range lowered 0.1% in each of the next five years resulting in a long-term spending range of 3.5% to 4.5% thereafter. Subject to the range limitation, the annual spending rate will increase at an annual rate of 2.5%. In establishing this policy, the Board considered the expected long-term rate of return on its endowment. In May 2020, the Board approved a temporary departure from the Spending Policy to increase the spending range from 4.2% to 5.2% for fiscal year 2021, as one of a number of actions to offset the impact of lost revenues and additional expenses related to the COVID-19 pandemic.

Non-endowment Spending Policy—The non-endowment investments in the TRP consist of operating and capital funds. These long-term funds, while invested in a similar manner as the endowment, are not intended to be held in perpetuity. For these investments, the University has adopted a fixed annual spending rate equivalent to 6% of the market value calculated as of the twelve-quarter moving average ended September 30 of the previous year.

Spending on all investments held outside the TRP represents the yield earned, unless otherwise prescribed by donor restrictions.

The Board of Trustees of the University has interpreted the "Uniform Prudent Management of Institutional Funds Act" ("UPMIFA") as requiring the preservation 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 the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

Investments, intermediate-term—Investments are reported at fair value. This portfolio is invested in cash and high-quality fixed income securities consisting of treasuries, agencies, investment grade corporates, and asset backed securities with maturities generally ranging from 1 to 3 years.

Operations and Nonoperating Activities—The consolidated statement of activities reports changes in net assets without donor restrictions and net assets with donor restrictions from operations and nonoperating activities. Operations include contributions with donor restrictions that have been released to net assets without donor restrictions as used for operational purposes. Non-operating includes the release from restrictions of contributions restricted to the acquisition of buildings and equipment and other transfers between restriction categories; investment return in excess of the University's operating needs as defined by its spending policy or amounts used in excess of investment return; endowment contributions, unrealized gains or losses on interest rate agreements; changes in the funded status of the postretirement health care plan; and bequests and gifts of property.

Revenue Recognition—Revenue is recognized when control of the promised goods or services is transferred to our customers, in an amount that reflects the consideration the University expects to be entitled to in exchange for those goods or services. Generally, the University's contracts with customers have a duration of one year or less.

Tuition and fees, and room and board revenues are derived from degree programs as well as summer and continuing education programs and includes tuition, related fees, and room and board. Tuition and fees are recognized ratably over the academic period of the course or program offered based on time elapsed, and scholarships awarded to students reduce the amount of revenue recognized. The University's individual schools have various billing and academic cycles and the majority of our programs are designed to be completed within the fiscal year. Room and board revenue is recognized ratably over the course of the contracted time students are living on campus.

Student tuition, fees, room and board at published rates is summarized as follows for the years ended June 30, 2021 and 2020 (in thousands of dollars):

Tuition and fees, room and board	**2021**	**2020**
Tuition and fees	$ 648,758	$ 610,338
Room and board	45,030	43,006
Total	$ 693,788	$ 653,344
Financial aid applied to tuition and fees, room and board	$ 154,403	$ 144,531
Financial aid in excess of student charges, reported as other expenses	6,455	5,416
Higher Education Emergency Relief Fund (HEERF) financial aid in excess of student charges, reported as other expenses	4,043	-
Total	$ 164,901	$ 149,947

The University receives sponsored research support from governmental and private sources. Certain sponsored arrangements are considered exchange arrangements, and revenue under these agreements is recognized based on the University's fulfillment of the contract, which is typically based on costs incurred or the achievement of milestones. Other sponsored support is considered contribution revenue in accordance with ASU 2018-08 *Clarifying the scope and accounting guidance for contributions received and contributions made (Topic 958)*, which is recognized when any donor-imposed conditions (if any) have been met.

Clinical and other educational activities include clinical revenues generated at the Veterinary school and Dental school, royalty income, rental income and revenues from a variety of other activities, which are subject to ASU 2014-09, *Revenue from Contracts with Customers (ASC 606)*, and are recognized at the point in time goods or services are provided. Clinical revenues are recorded at the transaction price estimated to reflect the total consideration due from patients and third-party payors in exchange for providing veterinary and dental services. Clinical services are considered a single performance obligation. Revenues are recognized as these performance obligations are fulfilled.

Clinical and other educational activities are summarized as follows for the years ended June 30, 2021 and 2020 (in thousands of dollars):

Clinical and other educational activities	**2021**	**2020**
Veterinary and Dental clinical	$ 77,357	$ 78,080
Other sources	44,267	40,463
Total	$ 121,624	$ 118,543

Auxiliary services exist to furnish goods or services to students, faculty, staff, or incidentally to the general public, and charges a fee directly related to, although not necessarily equal to, the cost of the goods or services. The distinguishing characteristic of auxiliary services is that they are managed as an essentially self-supporting activity. Auxiliary services revenue includes revenues from contracts with customers to provide conferences, parking services, and other miscellaneous activities and are recognized at the point in time goods or services are provided.

Tax Status—The University is a not-for-profit institution that is tax-exempt under Section 501(c)(3) of the Internal Revenue Code. US GAAP requires the University to evaluate tax positions taken by the University and recognize a tax liability (or asset) if the University has taken an uncertain position that more likely than not would not be sustained upon examination by the IRS. Tufts has analyzed the tax positions taken and has concluded that as of June 30, 2021 and 2020, there are no significant uncertain positions taken or expected to be taken that would require recognition of a liability (or asset) or disclosure in the financial statements.

Cash and Cash Equivalents—Short-term investments with maturities at the date of purchase of three months or less are classified as cash and cash equivalents. Certain balances meeting the definition of cash equivalents have been classified as investments as a result of the University's intent to segregate funds from cash available for current operations. Certain restricted cash balances have been classified as other assets and intermediate-term investments for the same intention. These amounts are identified as restricted cash in the Consolidated Statements of Cash Flows.

Land, Buildings, and Equipment—Land, buildings, and equipment are stated at cost at date of purchase or fair value at date of donation in the case of gifts. Depreciation is provided using the straight-line method over the assets' estimated useful lives, which range from 15 to 60 years for land improvements, 10 to 60 years for buildings, 3 to 20 years for equipment and furnishings and technology software.

Perpetual Trusts, Life Income, and Annuity Agreements—The University has an interest in various perpetual trusts, irrevocable charitable remainder trusts, and life income and annuity agreements. Assets held in these trusts and agreements, which are administered by the University or third-party trustees, are included in investments, and totaled approximately $72,920,000 and $62,490,000 at June 30, 2021 and 2020, respectively. Contributions are recognized at the date the trusts or annuity agreements are established. The primary unobservable input used in the fair value measurement of the charitable remainder trust and life income and annuity assets is the discount rate. Significant fluctuation in the discount rates utilized in this calculation could result in a significant change in fair value. The primary unobservable inputs used in the fair value measurement of the perpetual trust assets are the underlying securities held by the trust. Significant fluctuation in the market value of these underlying securities could result in a material change in fair value. Liabilities associated with life income and annuity agreements are recorded at the present value of the estimated future payments to be made to the donors and/or other beneficiaries by the University. The liabilities associated with life income and annuity agreements are adjusted during the term of the life income agreement or annuity for changes in the value of the assets, accretion of the discount and other changes in the estimates of future payments. The liabilities are included in accounts payable and accrued expenses and totaled approximately $13,300,000 and $12,300,000 at June 30, 2021 and 2020, respectively.

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 of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

New Accounting Pronouncements— On July 1, 2020, the University adopted ASU 2016-02 – *Leases* (ASC 842). The University adopted the new standard using the modified retrospective approach. All leases were recorded as of July 1, 2020 and no amounts were recorded in the comparative period. The University also elected available practical expedients that allowed the University to not reassess at adoption (i) expired or existing contracts for whether they are or contain a lease, (ii) the lease classification of any existing leases, or (iii) initial indirect costs for existing leases. The University has also elected the policy exemption that allows lessees to choose to not separate lease and non-lease components by class of underlying asset and are applying this expedient to all relevant asset classes. The University recognized lease assets of approximately $50,547,000 and lease liabilities of $56,614,000 as of the adoption date. For periods prior to July 1, 2020, the University accounted for lease transactions under ASC 840.

The University determines if an arrangement is or contains a lease at inception of the contract. Our right-of-use assets represent our right to use the underlying assets for the lease term and our lease liabilities represent our obligation to make lease payments arising from the leases. Right-of-use assets and lease liabilities are recognized at commencement date based on the present value of lease payments over the lease term. Right-of-use assets are reduced each period by an amount equal to the difference between the operating lease expense and the amount of interest expense on the lease liability, using the effective interest method. The University uses our estimated incremental borrowing rate, which is derived using a collateralized borrowing rate for the same currency and term as the associated lease. A right-of-use asset and lease liability is not recognized for leases with an initial term of 12 months or less. The University recognizes lease expense on a straight-line basis over the lease term within materials, supplies, and other costs on the Consolidated Statement of Activities.

Reclassification—Certain June 30, 2020 balances and amounts previously reported in Note 6 have been reclassified to conform to the June 30, 2021 presentation. Where applicable, changes to financial reporting and presentation have been applied to the prior period comparatives shown throughout the University's financial statements.

Subsequent events—The University has evaluated the impact of subsequent events through November 2, 2021, representing the date the financial statements were issued and has concluded that there were no such events that require adjustment to the audited consolidated financial statements or disclosure in the notes to the audited consolidated financial statements.

Prior Year Summarized Information—The consolidated statement of activities includes certain prior-year summarized comparative information in total, but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the University's consolidated statement of activities for the year ended June 30, 2020, from which the summarized information was derived.

3. RECEIVABLES AND OTHER ASSETS

Receivables represent amounts due from students, grants and contracts, clinical billings, and other sources. Other assets includes prepaid expenses and inventories, funded status of postretirement health care plan as well as approximately $300 and $11,000 of restricted funds held under bond agreement at June 30, 2021 and 2020, respectively. Intangible assets consist of patents that were received from the donation of BrainGate (see Note 1) which are being amortized over the life of the patents acquired. The components at June 30, 2021 and 2020 are as follows (in thousands):

	2021	2020
Grant receivables	$ 28,772	$ 21,724
Student receivables, net	2,848	3,269
Clinic receivables, net	4,092	1,615
Other receivables, net	13,123	6,625
Receivables, net	48,835	33,233
Other assets	12,226	7,070
Intangible assets	7,485	8,600
Total	$ 68,546	$ 48,903

4. CONTRIBUTIONS RECEIVABLE

Contributions receivable at June 30, 2021 and 2020, which are recorded at fair value, consisted of the following (in thousands):

	2021	2020
Unconditional promises scheduled to be collected in:		
Less than one year	$ 33,677	$ 50,342
One year to five years	53,472	35,694
More than five years	8,013	8,108
Gross contributions receivable	95,162	94,144
Less allowance for uncollectible amounts	(6,521)	(6,518)
Less discount to present value	(3,630)	(3,097)
Total	$ 85,011	$ 84,529

Pledges are initially recorded at fair value (contribution net of discount) and subsequently amortized over the expected payment period, net of an allowance for uncollectible pledges. Pledges are reviewed periodically for collectability. As a result, the allowance for pledges that may not be collected is adjusted, and some pledges have been cancelled and are no longer recorded in the financial statements. The University's indicative 1 to 10-year taxable unsecured borrowing rate is used to discount pledges receivable upon receipt. The discount was calculated using rates ranging from 0.55% to 2.00% for the years ended June 30, 2021 and 2020. The University's pledges receivable have been categorized as Level 2 assets under the fair value hierarchy.

In addition, at June 30, 2021 and 2020, the University had approximately $33,300,000 and $33,000,000, respectively, of conditional promises from donors that are not recognized as assets in the consolidated statements of financial position. These conditional promises consisted of pledges for endowment, construction, and other purposes. As of June 30, 2021, and 2020, the University had approximately $405,279,000, and $446,510,000, respectively, in funding awarded but not yet expended related to conditional contributions from sponsored support where the condition had not yet been met. Funding received in advance of recognition is recorded as deferred revenue. Included in deferred revenue at June 30, 2021 and 2020 are approximately $11,866,000 and $11,769,000, respectively, of sponsored receipts, that have not been expended and cannot yet be recognized as revenue due to having a barrier and right of return as defined under ASU 2018-08.

Contributions receivable at June 30, 2021 and 2020 were intended for the following purposes (in thousands):

	2021	2020
Endowment for educational and general purposes	$ 31,657	$ 29,743
Construction and modernization of plant	12,173	12,492
Support of current operations	41,181	42,294
Total	$ 85,011	$ 84,529

5. NOTES AND STUDENT LOANS RECEIVABLE

Student loans receivables at June 30, 2021 and 2020 consisted of the following (in thousands):

	2021	2020
Student loans receivable	$ 39,499	$ 41,051
Less allowance for uncollectible amounts	(392)	(334)
Student receivables, net	$ 39,107	$ 40,717
Other notes receivable	350	350
Total	$ 39,457	$ 41,067

Loans receivable are principally amounts due from students under U.S. Government-sponsored loan programs, which are subject to significant restrictions. Generally, payment on student loans receivable commences upon graduation and can extend up to 20 years. Interest rates range from 2% to 12% for the years ending June 30, 2021 and 2020.

The University assesses the adequacy of the allowance for doubtful accounts by evaluating the loan portfolio, including such factors as the differing economic risks associated with each loan category, the financial condition of specific borrowers, the economic environment in which the borrowers operate, the level of delinquent loans, and, where applicable, the existence of any guarantees or indemnifications. In addition to these factors, the University reviews the aging of the loans receivable and the default rate in comparison to prior years. The allowance is adjusted based on these reviews. The University considers the allowance at June 30, 2021 and 2020 to be reasonable and adequate to absorb potential credit losses inherent in the loan portfolio.

6. INVESTMENTS AND FAIR VALUE MEASUREMENTS

The accounting standard for fair value measurement establishes a hierarchy of valuation inputs based on the extent to which the inputs are observable in the marketplace. Observable inputs reflect market data obtained from sources independent of the reporting entity and unobservable inputs reflect the entities' own assumptions about how market participants would value an asset or liability based on the best information available. Valuation techniques used to measure fair value under the accounting standard must maximize the use of observable inputs and minimize the use of unobservable inputs. The accounting standard describes a fair value hierarchy based on three levels of inputs, of which the first two are considered observable and the last unobservable, that may be used to measure fair value.

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

- Level 1 - Quoted prices in active markets for identical assets or liabilities.
- Level 2 - Inputs other than Level 1 that are observable, either directly or indirectly, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the same term of the assets or liabilities.
- Level 3 - Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

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 invests in alternatives investments, consisting of commingled public equity funds, marketable alternatives, private equities, real estate, natural resources, and private credit through various limited partnerships and similar vehicles. Alternative investments utilize a variety of investment strategies incorporating marketable securities and, in some cases, derivative instruments, all of which are reported at fair value or its equivalent as estimated by management using values provided by external investment managers. Commingled public equity funds consist of investments in commingled investment products that invest in long positions of publicly traded equity. Marketable alternative funds consist of limited partnership investments in stocks, bonds, commodities, currencies, derivatives and other instruments and often use non-traditional portfolio management techniques including shorting, leveraging, arbitrage and swaps. Private equity investments consist of long-term private investment securities. Real estate consists of investments in privately held real estate. Natural resources consist of private and public investments. Private credit consists of private investments. Estimates of fair value may differ significantly from values that would have been used had a ready market for the investments existed. The University is obligated under certain limited partnership agreements and other alternative investment arrangements to advance additional funding periodically up to specified levels.

Investment fund managers may invest in derivatives, and the value of these positions is reflected in the NAV of the respective funds. Separately, the University may employ derivatives to hedge its risks and to rebalance its market exposures. The University also has ownership in certain investments that are classified as equity method investments.

The following tables present the financial instruments carried at fair value as of June 30, 2021, and 2020, by the fair value hierarchy defined above (in thousands):

Assets as of June 30, 2021:	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Measured at Net Asset Value (NAV)	Total Fair Value
Investments:					
Cash and short-term investments	$ 105,888	$ -	$ -	$ -	$ 105,888
Equity derivatives	-	1,749	-	-	1,749
Public equity domestic	223,943	-	-	190,536	414,479
Public equity foreign	78,905	-	-	271,663	350,568
Public equity global	-	-	-	209,159	209,159
Fixed income	385,568	-	-	59,153	444,721
Marketable alternatives	-	-	1,099	565,063	566,162
Private equity	-	-	5,347	860,091	865,438
Private real estate	5,134	-	5,012	136,844	146,990
Private natural resources	-	-	-	123,398	123,398
Private credit	-	-	-	49,573	49,573
Perpetual trusts	-	-	38,108	-	38,108
Total Investments	$ 799,438	$ 1,749	$ 49,566	$ 2,465,480	$ 3,316,233
Equity method investment (see Note 13)	-	-	-	-	10,483
	799,438	1,749	49,566	2,465,480	3,326,716
Liabilities:					
Interest rate swaps liability	$ -	$ 70,737	$ -	$ -	$ 70,737

Assets as of June 30, 2020:	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Measured at Net Asset Value (NAV)	Total Fair Value
Investments:					
Cash and short-term investments	$ 51,547	$ -	$ -	$ -	$ 51,547
Equity derivatives	-	1,086	-	-	1,086
Public equity domestic	214,811	-	-	156,926	371,737
Public equity foreign	70,979	-	-	200,041	271,020
Public equity global	-	-	-	157,810	157,810
Fixed income	251,010	-	-	12,650	263,660
Marketable alternatives	-	-	961	322,754	323,715
Private equity	-	-	5,591	517,547	523,138
Private real estate	4,454	-	6,954	111,367	122,775
Private natural resources	-	-	-	103,408	103,408
Private credit	-	-	-	51,701	51,701
Perpetual trusts	-	-	31,222	-	31,222
Total Investments	$ 592,801	$ 1,086	$ 44,728	$ 1,634,204	$ 2,272,819
Equity method investment (see Note 13)	-	-	-	-	10,150
	592,801	1,086	44,728	1,634,204	2,282,969
Liabilities:					
Interest rate swaps liability	$ -	$ 91,233	$ -	$ -	$ 91,233

In accordance with ASU 2015-07, certain investments that are measured at fair value using the NAV per share (or its equivalent) practical expedient have not been classified in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the statement of financial position.

Excluded from the tables above, but included in total investments at June 30, 2021 and 2020, are net investment receivables of approximately $14,392,000 and $52,959,000, respectively. In addition, the tables above exclude approximately $35,000,000 and $40,000,000 representing cash subscriptions made in two investments pending settlement at June 30, 2021 and 2020, respectively. Included in cash and short-term investments is cash of approximately $9,700,000 and $1,300,000 at June 30, 2021 and June 30, 2020, respectively.

The value of certain alternative investments represents the ownership interest in the NAV of the respective partnership. The fair values of the securities held by limited partnerships that do not have readily determinable fair values are determined by the general partner and are based on appraisals, or other estimates that require varying degrees of judgment. These values are reviewed by management of the University. If no public market exists for the investment securities, the fair value is determined by the general partner or management for securities held directly, taking into consideration, among other things, the cost of the securities, prices of recent significant placements of securities of the same issuer, and subsequent developments concerning the companies to which the securities relate. The University has performed significant due diligence around these investments to ensure NAV is an appropriate measure of fair value as of June 30.

Interest rate swaps, held for investment purposes, are valued using both observable and unobservable inputs, such as quotations received from the counterparty, dealers, or brokers, whenever available and considered reliable. In instances where models are used, the value of the interest rate swap depends upon the contractual terms of, and specific risks inherent in the instrument as well as the availability and reliability of observable inputs. Such inputs include market prices for reference securities, yield curves, credit curves, measures of volatility, prepayment rates, assumptions for nonperformance risk, and correlations of such inputs. The interest rate swap arrangements have inputs which can generally be corroborated by market data and are therefore classified within Level 2.

Beneficial and perpetual trusts held by third parties are valued at the present value of the future distributions expected to be received over the term of the agreement and are classified as Level 3.

The methods described above 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.

The University also invests directly in private companies that are primarily valued using industry standard methodologies, as applicable. Management strives to corroborate information from third-party sources for relevance and accuracy; these valuations are subject to significant review and consideration by management. The valuation procedures performed on these assets are based on industry standard processes for each respective asset class. The inputs utilized in any valuation model may be significant and unobservable and require a certain degree of judgment. Management examines market data and collaborates closely with industry experts to attempt to arrive at the best estimation of fair value for each respective asset. While the inputs described below represent the range of inputs utilized as of the measurement date, these inputs may change over time, which may have a material effect on the valuation of these types of investments in the future.

Level 3 investments have been valued using pending or recent market transactions. The following tables include roll forwards of investments classified by the University within Level 3 as of June 30, 2021 and 2020. Transfers between levels are recognized at the beginning of the reporting period. There were no transfers between levels in 2021 and 2020.

	Marketable Alternatives	Private Equity	Private Real Estate	Perpetual Trusts	Total Investments
Fair value, July 1, 2020	$ 961	$ 5,591	$ 6,954	$ 31,222	$ 44,728
Sales	-	-	-	-	-
Unrealized and realized gains(losses), net	138	(244)	(1,942)	6,886	4,838
Fair value, June 30, 2021	$ 1,099	$ 5,347	$ 5,012	$ 38,108	$ 49,566

	Marketable Alternatives	Fixed Income	Private Equity	Private Real Estate	Perpetual Trusts	Total Investments
Fair value, July 1, 2019	$ 2,444	$ 143	$ 12,199	$ 11,210	$ 31,688	$ 57,684
Sales	-	(143)	-	-	-	(143)
Unrealized and realized gains(losses), net	(1,483)		(6,608)	(4,256)	(466)	(12,813)
Fair value, June 30, 2020	$ 961	$ -	$ 5,591	$ 6,954	$ 31,222	$ 44,728

The following tables present liquidity and outstanding commitments information for the investments carried at fair value at June 30, 2021, and 2020, respectively.

	Fair Value	Redemption Terms	Days Notice	Remaining Unfunded Commitment
2021:				
Fixed Income	$ 58,763	Daily	1	$ -
Fixed Income	390	Monthly	30	-
Public Equity Domestic	190,536	Quarterly	60	-
Public Equity Foreign	271,663	Ranges from monthly to semi-annual	10 - 85	-
Public Equity Global	209,159	Ranges from semi-monthly to annual	6 - 90	-
Marketable Alternatives	600,063	Ranges from monthly to annual	3 - 180	-
Private Equity	860,091	Illiquid	Not applicable	220,207
Private Real Estate	136,844	Illiquid	Not applicable	86,875
Private Natural Resources	123,398	Illiquid	Not applicable	44,531
Private Credit	49,573	Illiquid	Not applicable	25,144
	$ 2,500,480			$ 376,757
Level 1 securities	799,438			
Other investments not subject to redemptions	76,190			
Total Investments	$ 3,376,108			

	Fair Value	Redemption Terms	Days Notice	Remaining Unfunded Commitment
2020:				
Fixed Income	$ 12,650	Ranges from monthly to semi-annual	90	$ -
Public Equity Domestic	156,926	Quarterly	60	-
Public Equity Foreign	215,041	Ranges from monthly to semi-annual	10 - 85	-
Public Equity Global	157,809	Ranges from semi-monthly to quarterly	6 - 60	-
Marketable Alternatives	347,754	Ranges from monthly to annual	5 - 180	-
Private Equity	517,547	Illiquid	Not applicable	155,552
Private Real Estate	111,367	Illiquid	Not applicable	90,574
Private Natural Resources	103,408	Illiquid	Not applicable	19,597
Private Credit	51,702	Illiquid	Not applicable	26,816
	$ 1,674,204			$ 292,539
Level 1 securities	592,801			
Other investments not subject to redemptions	108,923			
Total Investments	$ 2,375,928			

The total return on investments for the years ended June 30, 2021 and 2020 is as follows (in thousands), net of investment expenses:

	2021	2020
Dividends, interest and other	$ 18,087	$ 13,726
Net realized and unrealized gains	802,811	52,551
Total return on investments	820,898	66,277
Investment return utilized	(118,324)	(105,486)
Investment return reinvested/(utilized), net	$ 702,574	$ (39,209)

7. LAND, BUILDINGS, AND EQUIPMENT

Land, buildings, and equipment at June 30, 2021 and 2020 consisted of the following (in thousands):

	2021	2020
Land and land improvements	$ 80,433	$ 79,159
Buildings	1,697,360	1,644,897
Construction in progress	107,924	94,229
Equipment and furnishings	252,045	246,869
	2,137,762	2,065,154
Less accumulated depreciation	(971,871)	(909,194)
Total	$ 1,165,891	$ 1,155,960

Depreciation expense charged to operations was approximately $68,089,000 and $66,248,000 in 2021 and 2020, respectively. Net interest cost capitalized in fiscal 2021 and 2020 was approximately $2,296,000 and $2,494,000, respectively.

Maintenance and repairs are expensed as incurred, and improvements are capitalized. When assets are retired or disposed of, the cost and accumulated depreciation thereon are removed from the accounts and gains or losses are included in the statement of activities.

8. BONDS AND NOTES PAYABLE

Bonds and notes payable at June 30, 2021 and 2020 consisted of the following (in thousands):

	2021	2020
Massachusetts Health and Educational Facilities Authority ("MHEFA"):		
Series G, variable rate bonds, 5.26% average rate for 2021, par value of $27,900, due February 2024 - February 2026	$ 24,300	$ 24,300
Series M, fixed rate bonds at 5.25-5.50%, par value of $59,150, due February 2020 - February 2028	41,685	49,130
Series N-1, variable rate bonds, 4.49% average rate for 2021, par value of $86,400, due August 2029 - August 2040	57,100	57,100
Series N-2, variable rate bonds, 4.47% average rate for 2021, par value of $54,200, due August 2022 - August 2034	54,200	54,200
Massachusetts Development Finance Agency ("MDFA"):		
Series P, multi-mode bond, 5.70% average rate for 2021, par value of $49,835, due February 2029 - February 2036	49,835	49,835
Series Q, fixed rate bonds at 3.75%-5%, par value of $69,575, due August 2020 - August 2045	63,350	65,220
Series R, variable rate bonds, 3.24% average rate for 2021, par value of $34,000, due August 2029-2048	34,000	34,000
JPM tax exempt line of credit, fixed rate 2.65%, par value of $28,000, due May 2026	15,604	18,646
Tufts Issue 2012A, taxable fixed rate bond at 5.017%, par value of $250,000, due April 2112	250,000	250,000
Tufts Issue 2017A, taxable fixed rate bond at 4.005%, par value of $130,000, due August 2053 - August 2057	130,000	130,000
Tufts Issue 2021A, taxable fixed rate bond at 3.099%, par value of $250,000, due August 2051	250,000	-
Cummings Property, LLC at 4%, par value of $1,400, due February 2026	723	861
Bank of America note fixed rate 2.54%, par value of $10,200, due May 2026	10,200	10,200
Capital Leases—various imputed interest rates, due through 2024	-	214
TVETS New Lane note at 0%, due November 2022	23	-
	981,020	743,706
Net unamortized bond premium	5,842	6,894
Net unamortized debt issuance costs	(6,350)	(5,164)
Total bonds and notes payable	$ 980,512	$ 745,436

The average rates reflected above for the variable rate bonds are computed based on the variable interest, fees, and related swap interest payments. Series P is a long-term multi-mode bond (final maturity 2036), the first mode of which was a 5-year put bond with a 3% coupon which was due on February 16, 2016. The second mode is a 15-year bank purchase mode with a variable bank purchase rate which is due February 17, 2031. The average rate for the fiscal 2021 and 2020 was 5.70% and 5.75% respectively.

The University issued $250,000,000 Tufts University, Taxable Bonds, Series 2021A in April 2021. The University issued the bonds at par, due August 15, 2051.

Scheduled aggregate principal repayments on bonds and notes payable at June 30, 2021 are as follows (in thousands):

Fiscal Year Ending	Scheduled Principal Maturities
2022	$24,159
2023	25,366
2024	24,166
2025	18,787
2026	28,632
Thereafter	859,910
Total	$981,020

As of June 30, 2021, included in the University's debt is $34,000,000 of variable rate demand bonds ("VRDBs"). The University has entered into a standby bond purchase agreement to secure bond repayment and interest obligations associated with its VRDBs, this agreement is due to expire in December 2021. In the event a bond cannot be remarketed, the bond may be "put" to the standby bond purchase agreement providers, resulting in a loan to fund redemption of the bond. If it is assumed that outstanding bonds are put during fiscal year 2022, the maximum aggregate scheduled principal repayments under the VRDBs would be as follows: $11,333,000 in 2022, $11,333,000 in 2023 and $11,334,000 in 2024.

In fiscal year 2021, the University terminated three standby bond purchase agreements totaling $135,600,000 following the conversion of the bonds to the bank purchase mode with a variable bank purchase rate. The University intends to renew or execute a bank direct purchase for the current agreement, due to expire in December 2021, but not before the issuance date of these financial statements. As a result, approximately $11,333,000 is included in the above table for each fiscal year ending 2022, 2023 and 2024. Since the agreement is in place until December 2021, the bonds would only become due if the bonds were not remarketed or if the agreement was not renewed or converted.

In September 2020, the University closed on a $75,000,000 line of credit to support investment operations. The line of credit is used for portfolio management purposes to reduce the need to make short-term trades to maintain cash levels during transactions and had a one-year term. In June 2021, the University amended the line of credit agreement to increase the maximum commitment to $125,000,000 and extend the maturity date to September 2024. As of June 30, 2021, the outstanding balance on the line of credit is $0.

Interest Rate Agreements— The University has entered into derivative transactions for the purpose of reducing the impact of fluctuations in interest rates and reducing interest expense. The University has entered into fixed-to-floating, floating-to-fixed interest rate swaps and basis swaps. The following summarizes the terms for each of the interest rate swap agreements as of June 30, 2021 and 2020 (in thousands).

Swap Agreements as of June 30, 2021

Swaps	Interest Rate Swap	Interest Rate Swap	Interest Rate Swap	Interest Rate Swap	Interest Rate Swap	Total
Debt Hedged	(Series P)	(Series G, N-1 & R)	(Series N-1 & R)	(Series N-1)	(Series N-2)	
Notional Amount	$50,500	$39,900	$40,000	$34,000	$54,000	
Termination Date	February 15, 2036	August 15, 2033	August 15, 2040	August 15, 2036	August 15, 2034	
Fair Value June 30, 2021	($22,336)	($8,033)	($13,622)	($13,527)	($13,219)	($70,737)

Swap Agreements as of June 30, 2020

Swaps	Interest Rate Swap	Interest Rate Swap	Interest Rate Swap	Interest Rate Swap	Interest Rate Swap	Total
Debt Hedged	(Series P)	(Series G, N-1 & R)	(Series N-1 & R)	(Series N-1)	(Series N-2)	
Notional Amount	$50,500	$39,900	$40,000	$34,000	$54,000	
Termination Date	February 15, 2036	August 15, 2033	August 15, 2040	August 15, 2036	August 15, 2034	
Fair Value June 30, 2020	($27,100)	($10,446)	($18,506)	($17,426)	($17,755)	($91,233)

The University reported the fair value of its interest rate swap agreements in the statement of financial position as a liability of $70,737,000 and $91,233,000 at June 30, 2021 and 2020, respectively. The change in fair market value of approximately $20,496,000 and ($22,316,000) for the years ended June 30, 2021 and 2020 respectively, is included in the statement of activities as net unrealized gain (loss) on interest rate agreements.

The estimated market value of the interest rate exchange agreements at June 30, 2021 and June 30, 2020, was computed using the net present value of fixed and floating future cash flows, with floating future cash flows estimated through the use of forward interest rate yield curves adjusted for non-performance risk. These financial instruments necessarily involve counterparty credit exposure. The counterparties for these interest rate exchange transactions are a diversified group of major financial institutions that meet the University's criteria for financial stability and credit worthiness.

9. NET ASSETS

Net assets at June 30, 2021 and 2020 consisted of the following (in thousands):

	Without donor restrictions	With donor restrictions	2021 Total
Endowment	$ 1,106,747	$ 1,591,783	$ 2,698,530
Invested in physical plant	465,971	-	465,971
Operating	49,880	141,638	191,518
Building projects	78,942	20,766	99,708
Student loans	20,391	22,257	42,648
Total	$ 1,721,931	$ 1,776,444	$ 3,498,375

	Without donor restrictions	With donor restrictions	2020 Total
Endowment	$ 744,733	$ 1,192,540	$ 1,937,273
Invested in physical plant	404,080	-	404,080
Operating	91,866	138,916	230,782
Building projects	61,541	16,675	78,216
Student loans	20,252	21,798	42,050
Total	$ 1,322,472	$ 1,369,929	$ 2,692,401

Endowment consists of resources that have been restricted by the donor, trust, split interest agreement, or designated by the Board of Trustees for investment to provide future resources to support the University's activities. Endowment with donor restrictions includes unappropriated gains of approximately $658,606,000 and $315,239,000 in 2021 and 2020, respectively. Operating without donor restrictions includes funds that have been internally designated for use by various schools, departments, and programs throughout the University.

The University's endowment consists of individual donor restricted endowment funds and board-designated endowment funds for a variety of purposes plus the following where the assets have been designated for endowment: pledges receivables, split interest agreements, and other net assets. The 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. Board-designated endowment funds at June 30, 2021 and 2020 total the endowment without donor restrictions amount in the above table, and are earmarked for the following:

	2021	2020
General university support	$ 853,566	$ 564,285
Scholarships and fellowships	50,806	37,417
Professorships	38,400	26,062
Other purposes	163,975	116,969
Total	$ 1,106,747	$ 744,733

Note: Other purposes include several categories, including but not limited to, departmental, innovative education, faculty development, maintenance, research, library, prizes, books, lectureships, and other miscellaneous purposes

Changes in endowment net assets for the years ended June 30, 2021 and June 30, 2020 are as follows (in thousands):

	Without donor restrictions	With donor restrictions	2021 Total
Endowment net assets, beginning of year	$ 744,733	$ 1,192,540	$ 1,937,273
Total investment return, net	292,720	431,561	724,281
Contributions	2,772	32,987	35,759
Appropriation of endowment assets for expenditure	(42,149)	(50,884)	(93,033)
Other changes, net	108,671	(14,421)	94,250
Endowment net assets, end of year	$ 1,106,747	$ 1,591,783	$ 2,698,530

	Without donor restrictions	With donor restrictions	2020 Total
Endowment net assets, beginning of year	$ 746,030	$ 1,163,577	$ 1,909,607
Total investment return, net	10,395	40,029	50,424
Contributions	1,768	33,602	35,370
Appropriation of endowment assets for expenditure	(36,243)	(45,201)	(81,444)
Other changes, net	22,783	533	23,316
Endowment net assets, end of year	$ 744,733	$ 1,192,540	$ 1,937,273

Other changes include additions or deductions to the endowment from net transfers resulting from changes in donor restrictions or University designations.

Total endowment assets classified with donor restrictions consist of the following components (in thousands):

	2021	2020
Spendable:		
Subject to time restriction	$ 99,735	$ 82,020
Restricted for program support	724,093	381,619
Total net assets with spendable restrictions	$ 823,828	$ 463,639
Non-Spendable:		
Restricted for scholarship support	$ 378,108	$ 360,504
Restricted for faculty support	162,802	155,134
Restricted for program support	227,045	213,263
Total net assets with non-spendable restrictions	$ 767,955	$ 728,901
Total net assets with donor restrictions	$ 1,591,783	$ 1,192,540

Underwater Endowment Funds

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the value of the initial and subsequent donor gift amounts (underwater). When underwater endowment funds exist, they are classified as a reduction of net assets with donor restrictions. Underwater endowment funds reported in net assets with donor restrictions were approximately $0 and $1,487,000 as of June 30, 2021 and 2020, respectively.

10. FUNCTIONAL CLASSIFICATION OF EXPENSES

The University reports operating expenses in its consolidated statement of activities by natural classification. Interest, depreciation, operations and maintenance expenses have been allocated to functional expense classifications based on square footage utilized. Operating expenses by functional category for the years ended June 30, 2021 and 2020 consisted of the following (in thousands):

June 30, 2021

	Instruction & Research	Clinical & Auxiliary	General & Administration	Total
Salaries, wages and benefits	$ 289,721	$ 81,056	$ 195,654	$ 566,431
Materials, supplies and other	27,169	73,798	59,266	160,233
Purchased services	59,054	10,536	38,543	108,133
Facility and maintenance costs	36,283	9,259	13,390	58,932
Travel	1,814	92	1,842	3,748
Allocations:				
Depreciation	30,651	21,764	15,674	68,089
Interest	14,550	10,331	7,440	32,321
Operations and maintenance	25,574	3,929	(29,503)	-
Total	$ 484,816	$ 210,765	$ 302,306	$ 997,887

June 30, 2020								
		Instruction & Research		Clinical & Auxiliary		General & Administration		Total
Salaries, wages and benefits	$	289,653	$	86,651	$	193,680	$	569,984
Materials, supplies and other		23,890		78,098		40,304		142,292
Purchased services		51,759		10,430		21,774		83,963
Facility and maintenance costs		33,432		7,923		12,651		54,006
Travel		8,494		873		2,502		11,869
Allocations:								
Depreciation		29,822		21,176		15,250		66,248
Interest		14,100		10,012		7,212		31,324
Operations and maintenance		27,096		4,163		(31,259)		-
Total	$	478,246	$	219,326	$	262,114	$	959,686

11. BENEFIT PLANS

Defined Contribution Plan—The University sponsors a defined contribution retirement plan under Section 401(a) of the Code, which is available to eligible faculty and administrative staff. All contributions are funded by the University and are subject to a vesting schedule. The University's contributions to the plan amounted to approximately $32,845,000 and $34,150,000 in 2021 and 2020, respectively.

The University also offers a supplemental retirement plan under Section 403(b) of the Code, which is fully funded by voluntary employee contributions.

Deferred Compensation Plans—The University maintains two separate plans under Section 457(b) of the Code for eligible officers, faculty, and administrative staff. The University funded the Officers' Plan with approximately $157,000 and $148,000 in 2021 and 2020, respectively. Under the terms of the Faculty and Administrative Staff Plan, no contributions are made by the University but are fully funded by voluntary employee contributions. The assets and related liabilities of these plans are recorded in investments and accrued liabilities in the consolidated financial statements and total approximately $31,562,000 and $24,400,000 at June 30, 2021 and 2020, respectively. The University also maintains a plan under Section 457(b) of the Code for eligible faculty and administrative staff that was closed to future participants in 1989. The University funded this plan with approximately $3,000 and $4,000 in 2021 and 2020, respectively. The investment assets and related liabilities of these plans, which total approximately $5,400,000 and $6,800,000 in 2021 and 2020, respectively, are recorded in investments and accrued liabilities in the consolidated statements of financial position.

Health and Welfare Benefit Plan—The University provides postretirement health care benefits to eligible retired employees and their eligible spouses. Retirees share in the cost of their health care benefits through co-payments and deductibles related to years of service and date of retirement. Employees who were hired after December 31, 1993, must pay for the entire cost of their benefit when they retire. The University established a trust to fund the postretirement health care benefits for most of the eligible employees. The trust qualifies as a "voluntary employees beneficiary association" ("VEBA") under the provisions of Section 501(c)(9) of the Code in order that the trust be exempt from certain taxes.

Changes in the University's postretirement health care benefit obligation for the years ended June 30, 2021 and 2020 are as follows (in thousands):

	2021	2020
Change in Accumulated Postretirement Benefit Obligation (APBO):		
APBO at prior fiscal year end	$ 12,871	$ 13,218
Employer service cost	-	1
Interest cost	331	447
Actuarial loss (gain)	(87)	409
Plan participants' contributions	847	973
Benefits paid from plan assets[1]	(1,953)	(2,177)
APBO at current fiscal year end	$ 12,009	$ 12,871

[1]Net of retiree contributions

The funded status of the University's postretirement health care plan and the amounts recognized in the consolidated statements of financial position at June 30, 2021 and 2020 are as follows (in thousands):

	2021	2020
Change in Plan Assets:		
Fair value of assets at prior fiscal year end	$ 13,396	$ 14,539
Actual return on assets[2]	3,706	51
Employer contributions for key employees	-	10
Plan participants' contributions	847	973
Benefits paid[1]	(1,953)	(2,177)
Fair value of assets at current fiscal year end	$ 15,996	$ 13,396
Funded Status	$ 3,988	$ 526

[1]Net of retiree contributions
[2]Net of administrative expenses

Amounts recognized in the Statement of Financial Position (in thousands):

	2021	2020
Receivables and other assets, net	$ 3,988	$ 526
Net amount recognized in the statement of financial position	$ 3,988	$ 526

In fiscal year 2020, the University updated the participant mortality table for actuarial assumptions from RP-2018 to PRI-2012. In fiscal year 2021, the University updated the projections scales table from MP-2019 to MP-2020.

There are no amounts expected to be recognized in the net periodic cost in the following year as there were no events creating any prior service cost and there is no unrecognized actuarial (gain) loss over the 10% corridor this year.

The components of net periodic benefit cost (in thousands):

	2021	2020
Employer service cost	$ -	$ 1
Interest cost	331	447
Expected return on assets	(995)	(1,076)
Subtotal	(664)	(628)
Net prior service (credit) cost amortization	(2,219)	(2,219)
Net loss amortization	-	(105)
Net periodic postretirement (income) benefit cost	$ (2,883)	$ (2,952)
Total changes recognized in net assets without donor restrictions	$ 3,462	$ 794

The weighted-average assumptions to determine obligations are as follows:

	2021	2020
Discount rate at end of year	2.80%	2.67%

The weighted-average assumptions to determine net periodic benefit cost are as follows:

	2021	2020
Assumptions Used to Determine Benefit Cost[1]		
Discount rate	2.67%	3.53%
Long-term rate of return on assets	7.70%	7.70%
Current health care cost trend rate	6.50%	6.50%
Ultimate health care cost trend rate	4.50%	4.50%
Year of ultimate trend rate	2025	2025
Effect of 1% Increase in Health Care Cost Trend Rates		
Employer service cost	$ 87	$ 1,129
Interest cost	337,833	456,615
Total	337,920	457,744
Change	$ 6,993	$ 10,125
Percentage change	2.11%	2.26%
Effect of 1% Decrease in Health Care Cost Trend Rates		
Employer service cost	$ 88	$ 1,090
Interest cost	324,761	437,649
Total	$ 324,849	$ 438,739
Change	$ (6,079)	$ (8,881)
Percentage change	(1.84%)	(1.98%)

[1]These assumptions were used to calculate Net Periodic Postretirement Benefit Cost (Income) as of the beginning of the year. Rates are expressed on an annual basis where applicable.

The expected future benefit payments net of employee contributions (in thousands):

Expected Future Benefit Payments:	
During fiscal year ending 06/30/2022	$ 862
During fiscal year ending 06/30/2023	862
During fiscal year ending 06/30/2024	853
During fiscal year ending 06/30/2025	830
During fiscal year ending 06/30/2026	788
During fiscal years ending 06/30/2027 through 6/30/2031	3,465

The estimated University cash contribution for fiscal year 2022 is $0.

VEBA Trust Asset Allocation and Investment Strategy—The weighted-average investment allocation of plan assets by category is as follows:

	2021	2020	Target Allocation
Equity securities	65%	56%	56%
Debt securities	23%	29%	29%
Real estate securities	12%	15%	15%
Total	100%	100%	100%

The Health and Welfare Benefit Plan fiduciaries set the investment policy and strategy for investment of plan assets, including selecting investment managers and setting long-term risk and return objectives. The asset allocations are broadly diversified among asset category and within each category, which lowers the expected volatility of the portfolio's return and may protect against negative market environments.

To determine the expected long-term rate of return on plan assets, the University considers the target asset allocations, and the expected return on assets by category.

Equity securities primarily include mutual fund investments in large-cap and small-cap companies primarily located in the United States. Debt securities include high quality, investment grade and international bond funds. Real estate securities consist of mutual fund investments in domestic and international real estate investment trusts. The fair values of the University's post-retirement health care plan assets at June 30, 2021 and 2020 by asset category (in thousands):

VEBA Trust Investments at June 30, 2021	Level 1	Level 2	Level 3	Total
Equity securities	$ 8,626	$ -	$ -	$ 8,626
Debt securities	4,430	-	-	4,430
Real estate securities	2,296	-	-	2,296
	$ 15,352	$ -	$ -	$ 15,352

VEBA Trust Investments at June 30, 2020	Level 1	Level 2	Level 3	Total
Equity securities	$ 6,809	$ -	$ -	$ 6,809
Debt securities	3,562	-	-	3,562
Real estate securities	1,780	-	-	1,780
	$ 12,151	$ -	$ -	$ 12,151

At June 30, 2021 and 2020, the plan also held cash and cash equivalents amounting to approximately $939,000 and $1,087,000.

12. LIQUIDITY AND FUNDS AVAILABLE FOR GENERAL EXPENDITURE

As part of the University's liquidity management strategy, the University structures its financial assets to be available as its general expenditures, liabilities and other obligations come due. The University regularly monitors the availability of resources required to meet its operating needs and other contractual commitments, while also striving to maximize the investment of its available funds.

For purposes of analyzing resources available to meet general expenditures over a 12-month period, the University considers all expenditures related to its ongoing mission-related activities, as well as the conduct of services undertaken to support those activities, to be general expenditures.

The University invests excess daily cash in short-term and intermediate-term investments. In accordance with University spending policies, TRP funds appropriated for spending are distributed to University department and program budgets for spending, subject to donor restrictions where applicable; however, cash distributions from the TRP to support the appropriations are available for general liquidity purposes.

To help manage unanticipated liquidity needs, the University has a committed bank line of credit in the amount of $50,000,000 which it could draw upon through September 2024. The University also has a surplus liquidity fund, an intermediate-term investment invested in fixed income securities, which included approximately $138,400,000 and $111,300,000 of unrestricted funds as of June 30, 2021 and 2020, respectively.

The University's financial assets and resources available to meet cash needs for general expenditures within one year of the date of the Consolidated Statements of Financial Position were as follows (in thousands):

	2021	2020
Cash and cash equivalents	$ 90,553	$ 69,539
Investments, intermediate-term, net of unspent bond proceeds	138,374	111,326
Accounts receivable, net	48,835	33,233
Expected pledge and private grant payments available	24,630	31,196
Investments: appropriated for spending in the following year	103,523	102,028
Financial assets available for general expenditure within one year	$ 405,915	$ 347,322
Unspent bond proceeds for limited use	$ 188,243	$ 65,550
Notes receivable due in more than one year	39,457	41,067
Contributions receivable due in more than one year	60,381	53,333
Board-designated quasi endowment funds	1,106,747	744,733
Donor-restricted endowment funds less appropriated spending	1,488,260	1,022,814
Annuities and perpetual trusts	71,776	61,536
Other long-term investments	279,185	267,941
Inventories, prepaid expenses and other assets	19,711	15,670
Right of use assets - operating leases	40,417	-
Property, plant, and equipment	1,165,891	1,155,960
Total assets	$ 4,865,983	$ 3,775,926

In addition to these available financial assets, a significant portion of the University's annual expenditures are funded by current year operating revenues including tuition, grant and contract income, clinical and other educational income, and contributions and grants.

As part of total investments, the University has board-designated quasi endowment funds of approximately $1,107,000,000 and $745,000,000 as of June 30, 2021 and 2020, respectively. Although the University does not intend to spend from its board-designated quasi endowment funds other than amounts appropriated for expenditure as part of its annual budget approval process, amounts from its board-designated quasi endowment could be liquidated and made available.

13. RELATED ORGANIZATIONS

Tufts Shared Services, Inc. ("TSS")—The University and Tufts Medical Center, Inc. ("Medical Center") jointly formed TSS, a not-for-profit service corporation, to provide the organization and facilities for coordinating certain education and health services activities. The administrative board of TSS includes equal representation from the University and the Medical Center. The cost of services provided by TSS to the University for the years ended June 30, 2021 and 2020 were approximately $6,261,000 and $5,087,000, respectively. The University's 50% ownership investment in TSS has been recorded at approximately $10,483,000 and $10,150,000 at June 30, 2021 and 2020 using the equity method of accounting. The accounts of TSS are included in the accompanying consolidated financial statements of the University using the equity method of accounting, in investments and non-operating revenues.

14. CONTINGENCIES AND COMMITMENTS

Outstanding commitments on construction contracts amounted to approximately $21,337,000 at June 30, 2021.

There are currently several legal cases pending involving labor relations and other matters related to the normal operation of the University. The University believes that the outcome of these cases will have no significant effect on the financial position or results of operations of the University.

15. LEASES

As discussed in Note 2, on July 1, 2020, the University adopted new guidance for the accounting and reporting of leases. The University's operating leases are primarily for real estate, including office buildings, dormitories, and other administrative offices. The University's real estate lease agreements typically have initial terms of 3 to 12 years. These real estate leases may include one or more options to renew, with renewals that can extend the lease term from 5 to 10 years. The exercise of lease renewal options is at the University's sole discretion. When determining the lease term, the University includes options to extend or terminate the lease when the option to exercise is certain.

The components of lease expense for the year ended June 30, 2021 are as follows (in thousands):

Operating Leases	2021
Operating lease cost	$ 11,824
Short-term lease cost	584
Variable lease cost	42
Total lease cost	$ 12,450

Operating Leases	2021
Weighted average remaining lease term	5.31 years
Weighted average discount rate	1.02%

Future maturities of operating lease liabilities as of June 30, 2021 (in thousands):

2022	$ 10,521
2023	8,614
2024	7,290
2025	7,008
2026	4,830
Thereafter	9,750
Total lease payments	48,013
Less imputed interest	(1,505)
	$ 46,508

The adoption of ASC 842 in fiscal year 2021 using the modifed retrospective approach required the following disclosures for periods prior to adoption.

Future minimum lease payments under operating leases as of June 30, 2020 (in thousands):

2021	$ 11,985
2022	10,202
2023	8,652
2024	7,313
2025	7,031
Thereafter	14,635
Total lease payments	$ 59,818

Rental expense on operating leases totaled approximately $11,320,000 for the year ended June 30, 2020.

Supplemental cash flow information related to leases for the year ended June 30, 2021 is as follows (in thousands):

Operating Leases	2021
Cash paid for amounts included in the measurement of lease liabilities:	
Operating cash flows from operating leases	$ 11,492
Right-of-use assets obtained in exchange for lease obligations:	
Operating Leases	$ 52,124

Included in the approximately $52,100,000 of right-of-use assets obtained in exchange for operating lease obligations is approximately $1,600,000 of new and modified operating leases entered into during the twelve month period ended June 30, 2021.

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