Boston University

Consolidated Financial Report
June 30, 2023 and 2022

BOSTON UNIVERSITY

Fiscal Year 2023

Letter from the President

Greetings. I am pleased to convey Boston University's audited financial statements as president ad interim. In the months preceding our leadership transition on August 1, 2023, President Robert A. Brown led a series of detailed briefings on university operations, finances, and academic programs. The management systems here rival the best I have seen in industry. My mandate is to build upon the momentum that has been achieved in recent years, continuing to improve quality in all areas of university life so that we can fulfill our chartered mission.

Boston University continues to climb as one of the world's great urban research and teaching universities. More than 80,000 students submitted undergraduate applications, and 14% were accepted for the class that began their studies in the fall of 2022. The University's expanded need-based financial aid program continues to have positive impact on increasing access and diversity among our student body. Pell Grant recipients constituted 20% of the fall 2022 class and first-generation students represented over 19%. These statistics visibly demonstrate our commitment to ensuring access to a high-quality Boston University undergraduate education.

We are enduringly grateful to Bob Brown for his exemplary leadership during his 18-year tenure as president. He led the transformation of the University, a transformation characterized by a strategic emphasis on teaching, research, and student success. One measure of progress is the increase in undergraduate financial aid, which nearly tripled from $145 million in 2005 to $381 million in 2022. His leadership fueled the growth of our endowment at an impressive compound annual growth rate of 8%. Bob Brown's unwavering commitment to Boston University's advancement has left an indelible legacy, enriched the educational experience, and propelled us toward an even more promising future.

Kenneth W. Freeman
President Ad Interim

BOSTON UNIVERSITY

Letter from the Treasurer

Boston University continued to grow financially in fiscal year 2023 with total assets surpassing $8.3 billion.

This year's financial performance begins with a net operating gain of $152 million, reminiscent of the fiscal 2019 pre-pandemic operating results. The ability to consistently achieve its financial goals and generate operating surpluses has been, and will continue to be, a significant source of funding for realization of the University's strategic priorities.

A pillar of the Boston University 2030 Strategic Plan is research that addresses society's biggest challenges. Research awards in fiscal year 2023 increased 22% over the prior year to a total of $646 million. This includes pioneering research such as the work done by Professor Edward Damiano to develop a bionic pancreas for type 1 diabetics. In 2023, Professor Damiano's bionic pancreas device received FDA approval, validating 20 years of effort to create a wearable, pocket-sized, automated insulin delivery system.

BU philanthropic support reached new heights in fiscal 2023 with another record-breaking year for cash fund-raising totaling $273 million. In August 2022, the University's medical school received a transformational gift of $100 million from Edward Avedisian. The gift will support scholarships, endowed faculty chairs, and cutting-edge research and teaching. To recognize this extraordinary generosity, the school was renamed the Boston University Aram V. Chobanian & Edward Avedisian School of Medicine.

Philanthropy has fueled endowment growth, which, in turn, provides operational support in the form of spendable distributions. The University's conservative spending guideline (a 20-quarter average of endow-ment values) slows spending growth during bull markets and creates "savings" to support distributions during bear markets. This provides for more predictable growth in annual distributions. Despite fluctuations in the economy over the past several years, spendable endowment distributions have grown at a compound annual rate of 7.6% since 2019.

The University's strategic focus, strong student demand, high-quality teaching and research faculty, and data driven management systems and processes have proven to be a powerful combination resulting in long-term financial success and growth.

Gary W. Nicksa

Gary W. Nicksa
Senior Vice President, CFO, and Treasurer

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SELECT FINANCIAL & STATISTICAL DATA unaudited For the years ended June 30 *($000s)*	2019	2020	2021	2022	2023
CONSOLIDATED STATEMENTS OF ACTIVITIES HIGHLIGHTS					
Student tuition and fees, net of financial aid	$ 1,164,242	$ 1,168,192	$ 1,152,579	$ 1,297,659	$ 1,343,938
Grants, contracts, and contributions	472,683	530,273	616,511	676,068	649,281
Auxiliary enterprises, net of financial aid	288,576	224,480	153,911	261,044	279,255
Other revenues	245,152	225,900	189,966	226,585	283,370
Total operating revenues	**2,170,653**	**2,148,845**	**2,112,967**	**2,461,356**	**2,555,844**
Total operating expenses	**2,012,804**	**2,050,288**	**1,969,478**	**2,285,169**	**2,403,477**
Net operating activities	**157,849**	**98,557**	**143,489**	**176,187**	**152,367**
Endowment and other long-term investment activities, net	114,916	91,730	895,298	(463,666)	64,302
Other non-operating activities, net	(57,565)	(125,890)	110,186	176,678	197,935
Net non-operating activity	**57,351**	**(34,160)**	**1,005,484**	**(286,988)**	**262,237**
Total change in net assets	**$ 215,200**	**$ 64,397**	**$ 1,148,973**	**$ (110,801)**	**$ 414,604**
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION HIGHLIGHTS					
Cash and investments	$ 3,699,652	$ 3,816,967	$ 4,878,144	$ 4,517,918	$ 4,601,644
Property, plant, and equipment, net	2,724,857	2,766,178	2,823,127	2,921,042	3,051,887
Other assets	600,229	627,417	590,611	585,730	667,957
Total assets	**7,024,738**	**7,210,562**	**8,291,882**	**8,024,690**	**8,321,488**
Debt, lease obligation, and interest rate swaps	2,266,411	2,416,523	2,324,424	2,138,033	2,064,465
Other liabilities	623,180	594,495	618,941	648,941	604,703
Total liabilities	**2,889,591**	**3,011,018**	**2,943,365**	**2,786,974**	**2,669,168**
Total net assets	**$ 4,135,147**	**$ 4,199,544**	**$ 5,348,517**	**$ 5,237,716**	**$ 5,652,320**
Total endowment assets	**$ 2,311,388**	**$ 2,440,824**	**$ 3,397,221**	**$ 2,989,671**	**$ 3,154,514**
CREDIT RATING					
Standard & Poor's	AA-	AA-	AA-	AA-	AA-
Moody's	Aa3	Aa3	Aa3	Aa3	Aa3
STUDENTS					
Student Full-Time Equivalent (FTE)**					
Undergraduate	17,047	16,730	16,222	17,355	17,558
Graduate	10,738	10,512	10,455	11,818	11,994
Applications	64,481	62,224	61,007	75,778	80,796
Freshman Selectivity	22%	19%	20%	19%	14%
Freshman Yield	25%	27%	24%	28%	31%
Undergraduate Tuition Rate	$ 52,816	$ 54,720	$ 56,854	$ 58,560	$ 61,050
Percent increase over prior year	3.60%	3.60%	3.90%	3.00%	4.25%

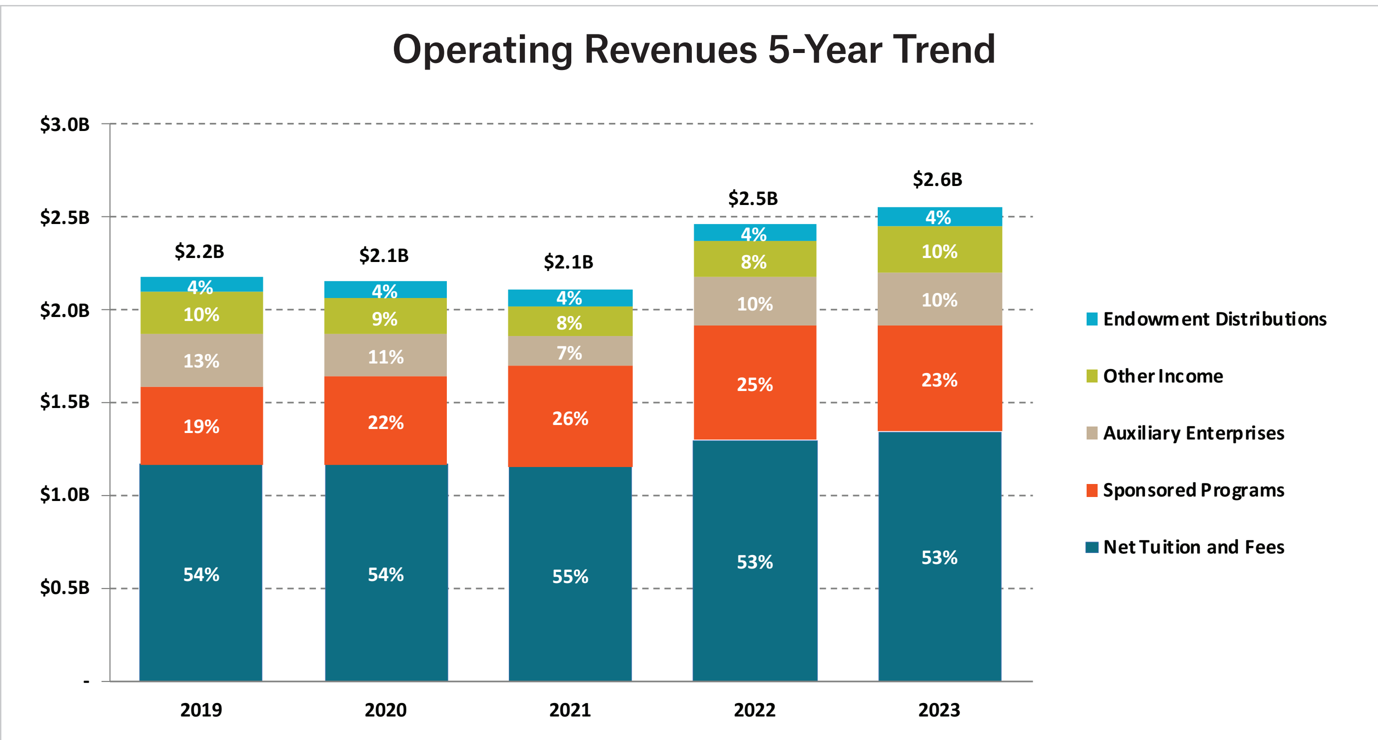
**End of fall semester full-time equivalent enrollment

DISCUSSION OF FINANCIAL RESULTS

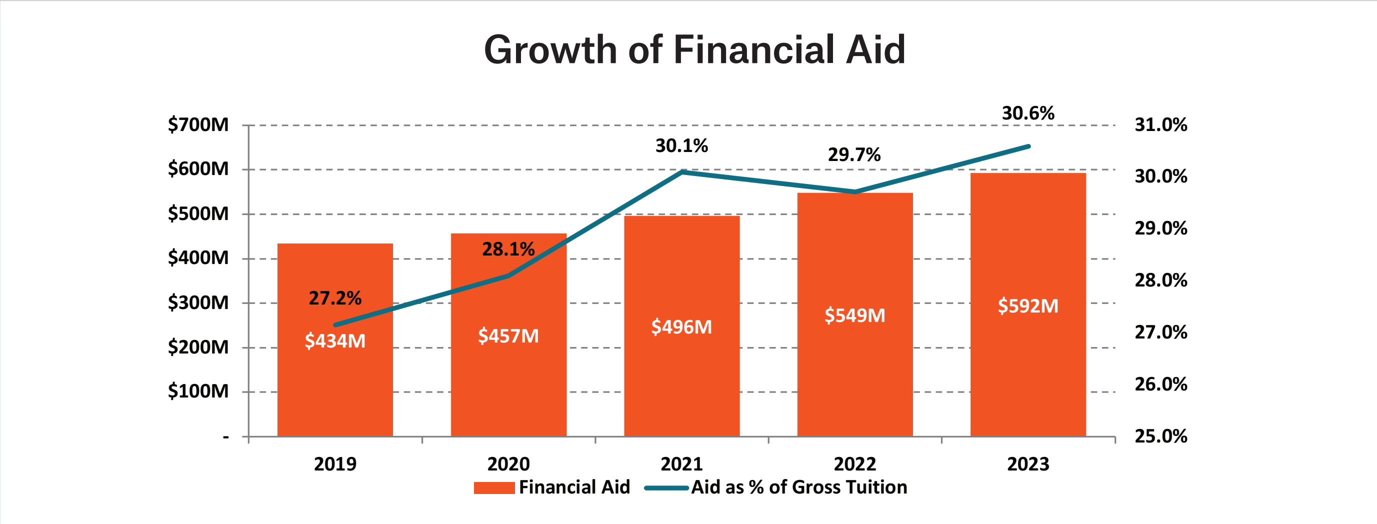
Boston University ended the fiscal year with a net operating gain of $152 million, compared to $176 million in fiscal year 2022. While operating revenues surpassed previous years, expenses rebounded as the University diligently restored staffing levels to support normal operations. Similar to many other institutions, the University is effectively navigating rising costs stemming from inflation and challenges attracting and retaining talent. Considering the unique circumstances over the past three years, heavily influenced by the pandemic's effects, this year's operating gains have realigned more closely with the levels observed in the years preceding the pandemic.

Operating Revenues

Operating revenues and other support, net of financial aid, totaled $2.6 billion in fiscal year 2023, increasing $94 million over the prior fiscal year.



Net tuition and fees remain the University's primary revenue stream, accounting for over 50% of total operating revenues. Net tuition and fees increased by $46 million with higher enrollments and a tuition increase of 4.25% offset by an additional $44 million in financial aid. The University has purposely invested in expanding its financial aid program to provide an affordable higher educational experience and support another pillar of our 2030 Strategic Plan: diversity, equity, and inclusion.

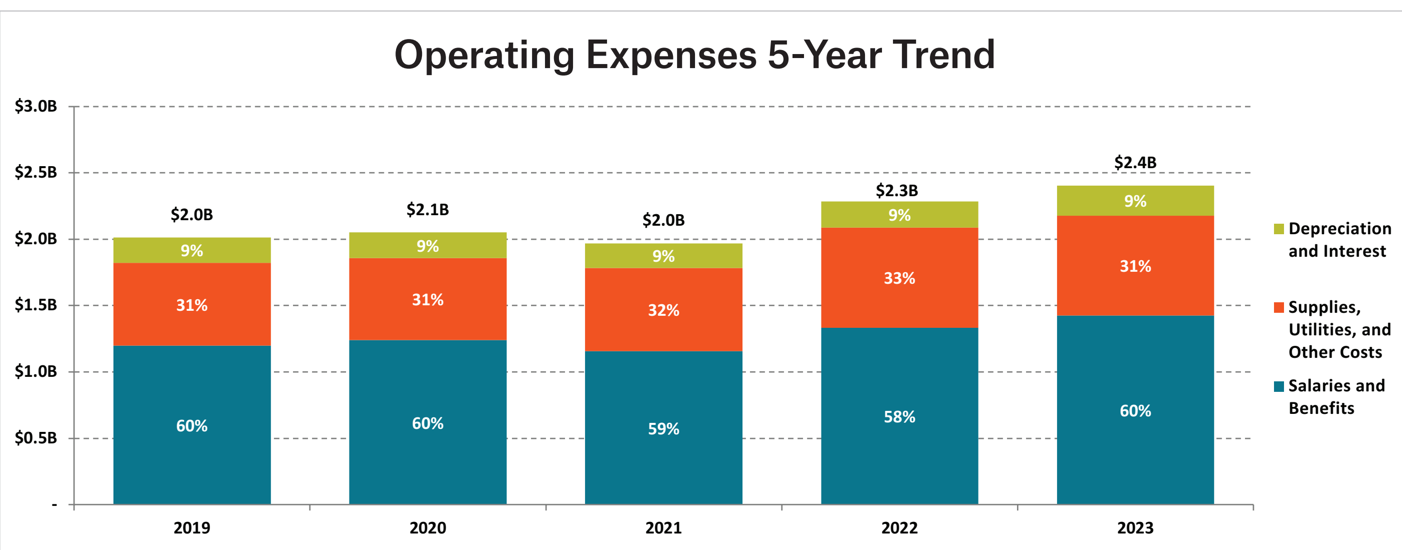


In addition, substantially higher interest rates earned on working capital investments resulted in interest income of $44 million in fiscal year 2023, an increase of $39 million compared to the prior year.

Operating Expenses

Fiscal year 2023 expenses increased $118 million, or 5.2%, over the prior year with the primary driver being increased salary and benefit costs. Personnel costs represented 60% of the University's operating expenses. Salaries increased $77 million, or 7.5%, due to filling of previously vacant positions and higher labor costs. Employee benefits increased $13 million, or 4.1%, driven by escalated healthcare costs.

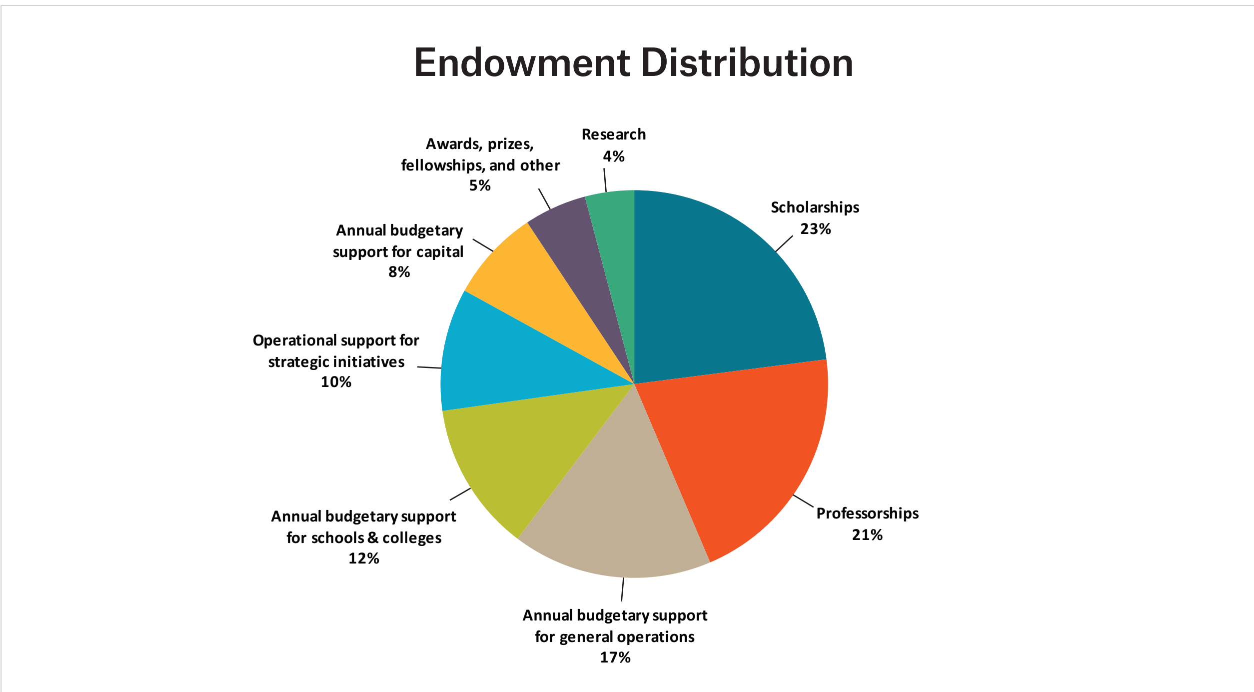
Operating expenses also include interest on the University's debt portfolio, which increased $21 million, or 40.5%, in fiscal year 2023 due to rising interest rates associated with variable rate debt. To mitigate the impact of variable rate debt during periods of rising interest rates, the University has interest rate swap agreements which offset rate settlements during the same period. Therefore, the higher interest expense reported in operating expenses was offset by a decrease in interest rate swap settlements recognized within non-operating activities for financial reporting purposes.



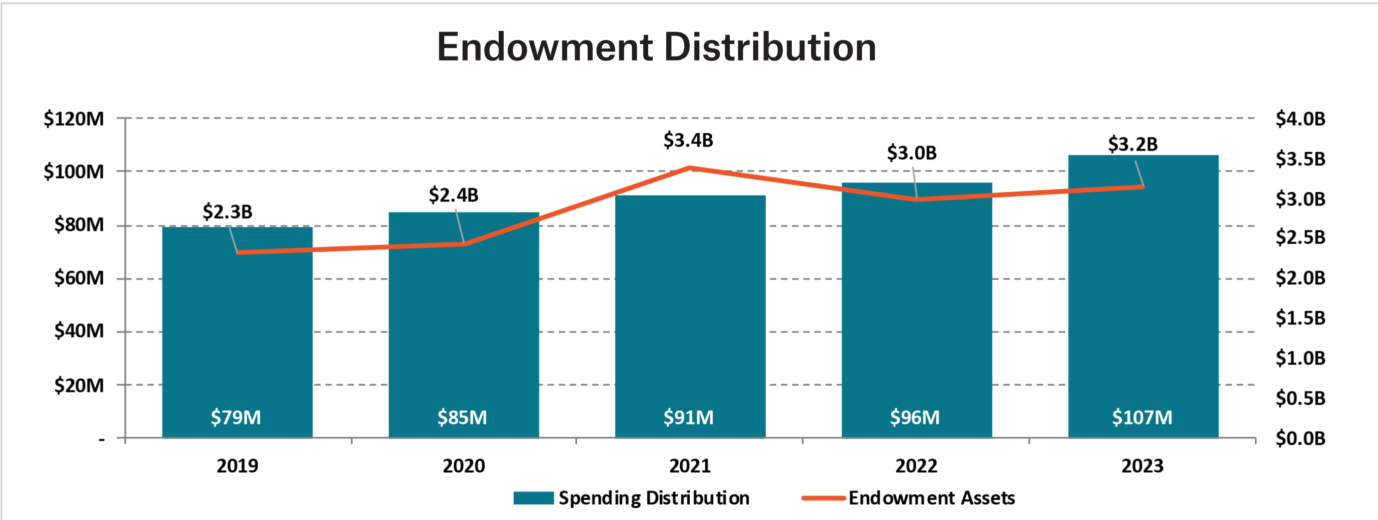
Endowment Assets and Distribution

The University's endowment assets increased $165 million, or 5.5%, to total $3.2 billion as of June 30, 2023. Activity during fiscal year 2023 reflects modest gains in the market combined with new gifts and additions of $141 million, partially offset by spendable distributions of $107 million. The University established 66 new endowments totaling $140 million, including 40 endowed scholarships. Since 2013, the University's endowment has grown by nearly $1.8 billion, reflecting a compound annual growth rate of 8.4%.

Endowment spendable distributions increased 10.8% in fiscal year 2023, providing an additional $10 million in operational support compared to the prior year. These distributions are a critical source of funds, with over 50% directed to specific programs, departments, or purposes and to be spent by the terms set forth by the donor.



To facilitate annual budget development, several months before the start of each fiscal year, the University uses its endowment spending guideline to select a spending rate, with a goal of providing steadily increasing support to operations. The spending guideline is calculated using the last 20 quarters' average endowment value as of the most recent December 31st. Applying an average dampens the impact of market fluctuations on the University's budget because it smooths out the spending distributions' variability. More specifically, it slows distribution growth during bull markets and creates "savings" to support distributions during bear markets. To help maintain an appropriate balance between current and future generations, the annually selected distribution amount must also be between 3% and 5% of the endowment's value on the most recent December 31st.

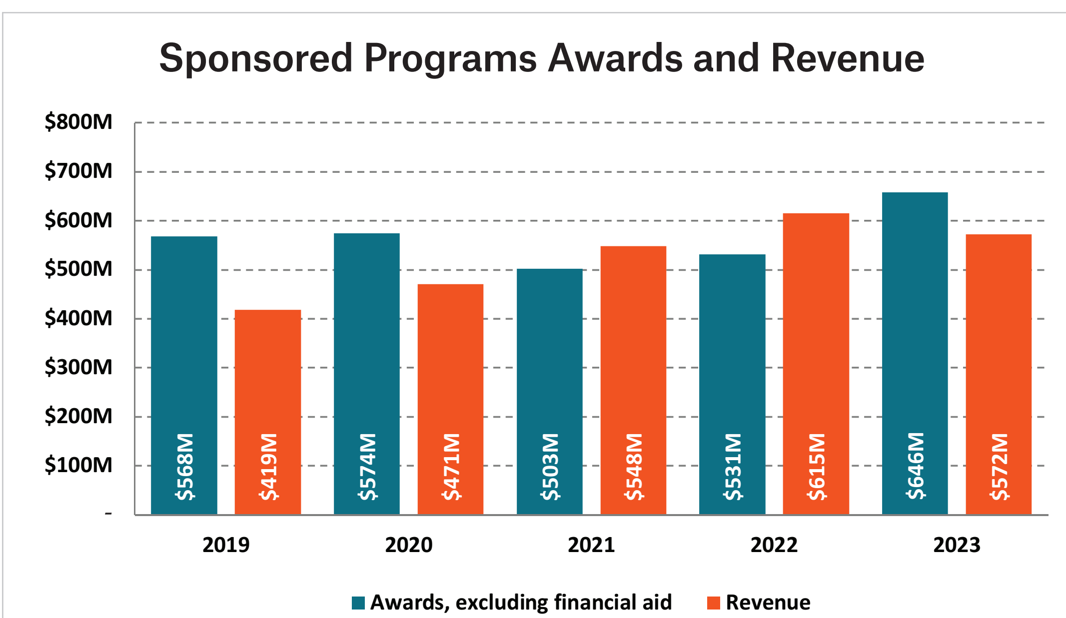


Sponsored Programs

Sponsored program awards, driven by the thousands of proposals submitted each year to federal, state, and foundational sponsors, support on-going or future research expenditures. Typically, as research is performed and expenditures are outlaid, the University requests reimbursement from sponsors and recognizes revenues. As such, there can be delays between when funds are awarded and when revenue is recognized.

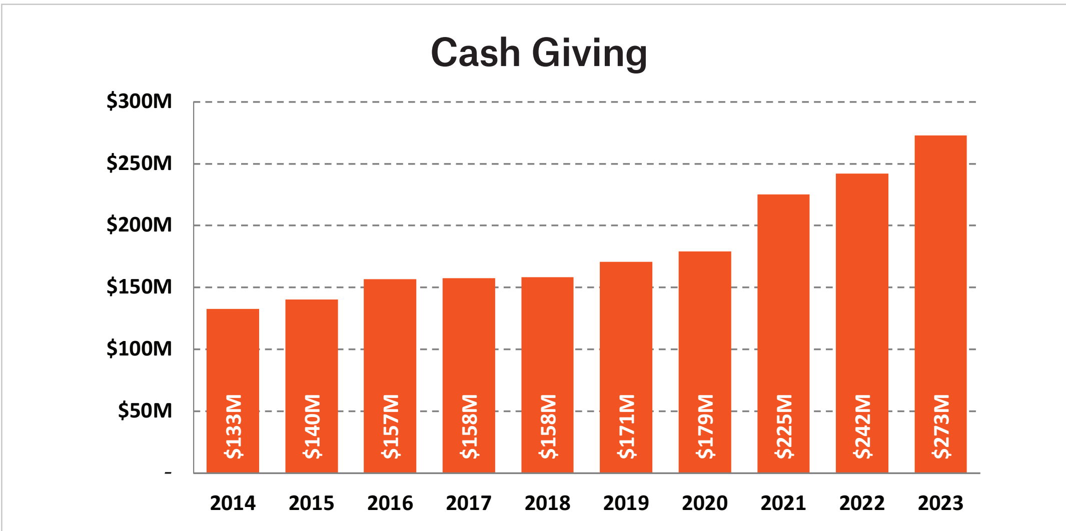
Sponsored program activity continues to reach new heights with awards, excluding financial aid, exceeding $646 million in fiscal year 2023. Funding is primarily derived from federal agencies, such as the Department of Health and Human Services and National Science Foundation, representing 65% of awards.

Total sponsored program revenues, including financial aid, decreased by $43 million in fiscal year 2023. In fiscal year 2022, the University utilized the remaining Higher Education Emergency Relief Funds ("HEERF"), distributing $21 million in emergency financial aid to students and $20 million to defray institutional expenses associated with the pandemic. Without this funding, sponsored program income for student aid decreased in fiscal year 2023.



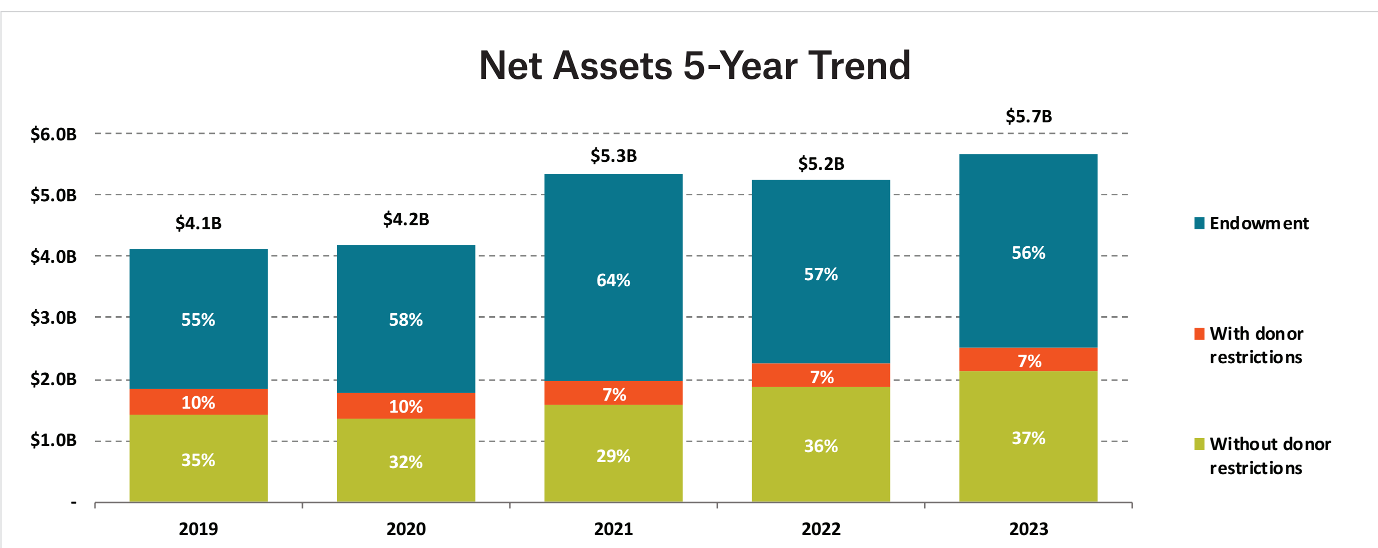
Philanthropy

Fiscal year 2023 was another record-breaking cash fundraising year, with $273 million in cash gifts and foundational grants received. Gifts and pledges reported in the consolidated financial statements increased $129 million, an increase of 120% over the prior year. This increase is primarily driven by a generous gift from Edward Avedisian of $100 million. Other gifts and pledges infuse funding for the University's strategic initiatives such as providing 100% of demonstrated financial need for domestic undergraduate students.



Net Assets

Net assets increased $415 million, or 7.9%, during fiscal year 2023, attributable to another year of net operating gains, increased philanthropy, and positive gains derived from rising interest rates. Overall, net assets have grown more than 37% or $1.5 billion since fiscal year 2019, at a compound annual growth rate of 8.1%.



Liquidity and Debt

The University actively manages its liquidity to maintain targeted levels sufficient to meet operating requirements to maintain the endowment's reserves throughout the year. Excess liquidity is retained to ensure adequate security and liquidity under a variety of stress scenarios. The end of each fiscal year represents the traditional low point in the institution's liquidity, consistent with the ebb and flow of our business cycle. The University's unrestricted liquidity totaled $1.7 billion at fiscal year-end, increasing $14 million. To provide supplemental liquidity support, the University maintains $260 million in committed bank lines of credit.

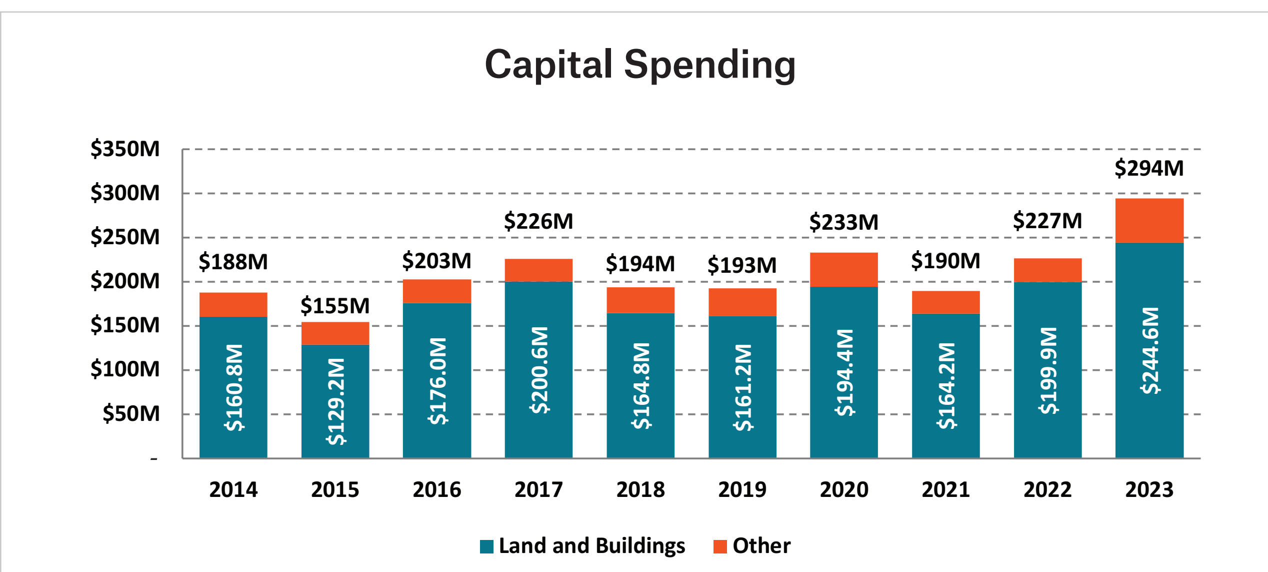
The University's net bonds and notes payable totaled $1.7 billion at the end of fiscal year 2023. This decrease of $11 million, or 0.6%, is reflective of scheduled principal payments and related amortization of bond premiums, discounts, and issuance costs. The University continually evaluates the opportunity to refund existing debt for savings, and the need and timing to borrow for future capital projects. On a periodic basis, the University uses debt-related financial metrics in comparison to peers in order to evaluate the impacts of issuing additional debt. The University's weighted average cost of capital on June 30, 2023, was 4.53%.

Credit ratings are an indicator of the University's effectiveness in managing its financial resources. Stronger credit ratings reflect greater financial strength and flexibility and provide greater access to capital markets. In June 2023, Moody's Investor Service affirmed Boston University's long-term rating at Aa3, while Standard & Poor's simultaneously affirmed the University's rating at AA- while revising the long-term outlook from neutral to positive. A positive credit outlook means Standard and Poor's will consider raising Boston University's rating from AA- to AA should positive credit trends continue.

Capital Spending

Property, plant, and equipment, net of depreciation expense of $153 million, increased $131 million in fiscal year 2023. Purchases of property and equipment totaled $294 million in fiscal year 2023 and $227 million in the prior fiscal year. Over the past 10 years, the University has completed $2.1 billion of capital investment in its campuses, library collections, and information systems.

In January 2023, the University successfully completed the construction of one of the largest geothermal buildings in New England, a testament to our commitment to sustainable infrastructure and innovation. The building, which stands 19 stories tall and has nearly 350,000 square feet of floor space, is now home to the Faculty of Computing & Data Sciences, Rafik B. Hariri Institute, and BU SPARK! entrepreneur incubator, as well as the Departments of Mathematics & Statistics and Computer Science.



KPMG LLP
Two Financial Center
60 South Street
Boston, MA 02111

Independent Auditors' Report

The Board of Trustees
Boston University:

Opinion

We have audited the consolidated financial statements of Boston University and its subsidiaries (the University), which comprise the consolidated statements of financial position as of June 30, 2023 and 2022, the related consolidated statements of activities and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the University as of June 30, 2023 and 2022, and the changes in its net assets and its cash flows for the years then ended in accordance with U.S. generally accepted accounting principles.

Basis for Opinion

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

Responsibilities of Management for the Consolidated Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

In performing an audit in accordance with GAAS, we:

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

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

Other Information Included in the Annual Report

Management is responsible for the other information included in the annual report. The other information comprises management's discussion and analysis of the consolidated financial statements but does not include the consolidated financial statements and our auditors' report thereon. Our opinion on the consolidated financial statements does not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the consolidated financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

KPMG LLP

Boston, Massachusetts
September 14, 2023

June 30, 2023 and 2022
($000)

	2023	2022
ASSETS		
Cash and cash equivalents	$ 230,799	$ 385,608
Cash and cash equivalents-restricted	2,484	37,164
Short-term investments	995,766	813,229
Accounts and loans receivable, net	243,824	234,319
Pledges receivable, net	268,377	181,994
Prepaid expenses and other assets	48,676	57,304
Investment in residual asset note	19,840	32,127
Right-of-use assets-operating leases	107,080	112,113
Long-term investments	3,352,755	3,249,790
Property, plant, and equipment, net	3,051,887	2,921,042
Total assets	$ 8,321,488	$ 8,024,690
LIABILITIES AND NET ASSETS		
Liabilities:		
Accrued payroll and related expenses	$ 120,046	$ 141,522
Accounts payable and accrued expenses	147,524	149,855
Deferred revenue	82,719	82,222
Student deposits	135,911	138,260
Operating lease obligations	111,857	116,088
Finance lease obligations	78,932	79,590
Other long-term obligations	37,893	43,013
Deferred ground lease revenue	80,610	94,069
Fair value of interest rate exchange agreements	138,136	195,532
Bonds and notes payable, net	1,735,540	1,746,823
Total liabilities	2,669,168	2,786,974
Net assets:		
Without donor restrictions	3,488,599	3,154,503
With donor restrictions	2,163,721	2,083,213
Total net assets	5,652,320	5,237,716
Total liabilities and net assets	$ 8,321,488	$ 8,024,690

See accompanying notes to consolidated financial statements.

For the years ended June 30, 2023 and 2022
($000)

	2023		
	Without Donor Restrictions	With Donor Restrictions	Total
OPERATING REVENUES			
Student tuition and fees, net of student aid of $592.4 million in 2023	$ 1,343,938	$ -	$ 1,343,938
Sponsored programs-direct	422,844	-	422,844
Sponsored programs-indirect	130,157	-	130,157
External fringe benefit recoveries	53,764	-	53,764
Contributions	50,154	-	50,154
Sales and services	99,282	-	99,282
Spending formula amount and other investment income	130,324	-	130,324
Sponsored program income for student aid	19,051	-	19,051
Auxiliary enterprises, net of student aid of $33.1 million in 2023	279,255	-	279,255
Contributions used for operations	27,075	-	27,075
Total operating revenues	2,555,844	-	2,555,844
OPERATING EXPENSES			
Salaries and wages	1,096,356	-	1,096,356
Employee benefits	327,056	-	327,056
Supplies and services	654,007	-	654,007
Utilities, rent, and repairs	100,072	-	100,072
Depreciation	153,273	-	153,273
Interest	72,713	-	72,713
Total operating expenses	2,403,477	-	2,403,477
Change in net assets from operating activities	152,367	-	152,367
NONOPERATING ACTIVITIES			
Contributions	-	186,785	186,785
Contributions used for operations	-	(27,075)	(27,075)
Reinvested endowment and other investment income	16,152	18,490	34,642
Net realized and unrealized gains on investments and other assets	68,425	67,766	136,191
Spending formula amount	(44,299)	(62,232)	(106,531)
Net realized and unrealized gains on interest rate exchange agreements	37,134	-	37,134
Net assets released from restrictions-building funds and other	105,384	(105,384)	-
Other additions (deductions) and transfers, net	(1,067)	2,158	1,091
Net nonoperating activities	181,729	80,508	262,237
Change in net assets	334,096	80,508	414,604
Beginning net assets	3,154,503	2,083,213	5,237,716
Ending net assets	$ 3,488,599	$ 2,163,721	$ 5,652,320

See accompanying notes to consolidated financial statements.

For the years ended June 30, 2023 and 2022
($000)

2022 Without Donor Restrictions	2022 With Donor Restrictions	2022 Total	
			OPERATING REVENUES
$ 1,297,659	$ -	$ 1,297,659	Student tuition and fees, net of student aid of $548.6 million in 2022
457,280	-	457,280	Sponsored programs-direct
118,689	-	118,689	Sponsored programs-indirect
52,077	-	52,077	External fringe benefit recoveries
47,080	-	47,080	Contributions
89,394	-	89,394	Sales and services
85,114	-	85,114	Spending formula amount and other investment income
38,912	-	38,912	Sponsored program income for student aid
261,044	-	261,044	Auxiliary enterprises, net of student aid of $26.8 million in 2022
14,107	-	14,107	Contributions used for operations
2,461,356	-	2,461,356	**Total operating revenues**
			OPERATING EXPENSES
1,019,549	-	1,019,549	Salaries and wages
314,147	-	314,147	Employee benefits
661,512	-	661,512	Supplies and services
92,608	-	92,608	Utilities, rent, and repairs
145,617	-	145,617	Depreciation
51,736	-	51,736	Interest
2,285,169	-	2,285,169	**Total operating expenses**
176,187	-	176,187	**Change in net assets from operating activities**
			NONOPERATING ACTIVITIES
-	60,681	60,681	Contributions
-	(14,107)	(14,107)	Contributions used for operations
10,144	20,023	30,167	Reinvested endowment and other investment income
(153,955)	(243,733)	(397,688)	Net realized and unrealized losses on investments and other assets
(40,560)	(55,585)	(96,145)	Spending formula amount
129,339	-	129,339	Net realized and unrealized losses on interest rate exchange agreements
10,332	(10,332)	-	Net assets released from restrictions-building funds and other
4,553	(3,788)	765	Other additions (deductions) and transfers, net
(40,147)	(246,841)	(286,988)	**Net nonoperating activities**
136,040	(246,841)	(110,801)	**Change in net assets**
3,018,463	2,330,054	5,348,517	Beginning net assets
$ 3,154,503	$ 2,083,213	$ 5,237,716	**Ending net assets**

See accompanying notes to consolidated financial statements.

For the years ended June 30, 2023 and 2022
($000)

	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in net assets	$ 414,604	$ (110,801)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	153,273	145,617
Amortization of debt premium and issuance costs, net	(4,192)	(4,192)
Amortization of right-of-use assets-financing	1,693	1,806
Amortization of right-of-use assets-operating	14,643	15,266
(Gain) loss on disposal of property and equipment	(23,770)	963
Unrealized gains on interest rate exchange agreements	(55,248)	(161,244)
Settlements on swap replacement transactions, net	5,345	11,589
Net realized and unrealized (gains) losses on investments	(131,164)	398,102
Contributions and pledge payments restricted for long-term investment	(90,891)	(68,064)
Restricted gifts of securities	(3,310)	(2,062)
Unrealized losses (gains) on currency exchange	600	(1,671)
Changes in operating assets and liabilities:		
Increase in accounts and loans receivable, net	(4,501)	(16,763)
(Increase) decrease in pledges receivable, net	(95,894)	7,382
Decrease in prepaid expenses and other assets	8,628	14,877
Decrease in accrued payroll and related expenses	(21,476)	(27,445)
Increase in accounts payable and accrued expenses	2,105	10,695
Decrease in operating lease obligations	(13,841)	(14,339)
Increase in deferred revenue	497	13,034
(Decrease) increase in student deposits	(2,349)	15,277
Decrease in other long-term obligations	(3,611)	(5,283)
Decrease in deferred ground lease revenue	(1,106)	(1,162)
Net cash provided by operating activities	150,035	221,582
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of investments	(2,857,684)	(2,704,366)
Proceeds from sales and maturities of investments	2,696,692	2,641,285
Purchases of property and equipment	(294,266)	(226,602)
Proceeds from sale of property and equipment	26,876	-
Proceeds from residual asset note	12,980	3,304
Net cash used in investing activities	(415,402)	(286,379)
CASH FLOWS FROM FINANCING ACTIVITIES		
Payment of bonds, notes, and mortgages	(7,691)	(8,436)
Payments for finance lease obligations	(658)	(753)
Payments of swap termination fees	(2,148)	-
(Decrease) increase in other long-term liabilities-annuity obligations	(1,509)	1,493
Contributions and pledge payments restricted for long-term investment	90,891	68,064
Proceeds from sale of restricted gifts of securities	2,338	2,062
Settlements on swap replacement transactions, net	(5,345)	(11,589)
Net cash provided by financing activities	75,878	50,841
Net decrease in cash, cash equivalents, and restricted cash	(189,489)	(13,956)
Cash, cash equivalents, and restricted cash beginning of year	422,772	436,728
Cash, cash equivalents, and restricted cash end of year	$ 233,283	$ 422,772

See accompanying notes to consolidated financial statements.

1. Organization and Summary of Significant Accounting Policies

Organization:
Boston University (the University) is an independent, nonprofit, coeducational, nonsectarian institute of higher education, founded in 1839 and chartered under the laws of the Commonwealth of Massachusetts on May 26, 1869. The University has three principal campuses: the Charles River Campus in the Back Bay, the Fenway Campus in Boston, and the Medical Campus in the South End, offering students more than 300 areas of study in 17 schools and colleges.

Effective June 1, 2018, Wheelock College merged with and into the University, with the University as the surviving corporation. As a result of the merger, the University's School of Education was renamed the Boston University Wheelock College of Education & Human Development, combining the doctoral programs and research capabilities of the University's School of Education with the early childhood expertise of Wheelock College's School of Education, Child Life and Family Studies.

With the passing of the fifth anniversary of the merger and in accordance with the merger agreement, the University released $98,497,000 of property, plant, and equipment from restriction in fiscal year 2023. These assets, previously classified as with donor restrictions, were used for academic or administrative space for the Boston University Wheelock College of Education & Human Development on the Wheelock Campus.

COVID-19 Pandemic:
In March 2020, the World Health Organization declared the novel coronavirus (COVID-19) a pandemic. As a result, the University suspended in-person education and other campus-based activities for the Spring 2020 semester. To address the potential impacts on revenues and incremental costs required as a result of COVID-19, the University took proactive budget actions in fiscal year 2021 to build budget reserves. These actions included salary freezes, targeted operating and personnel budget reductions, and a one-year suspension of employer contributions to the University's retirement savings program.

The University identified federal relief programs to mitigate the financial impact of the pandemic on the institution and to support students experiencing financial hardship. These relief programs include the Coronavirus Aid, Relief, and Economic Security Act (CARES), the Coronavirus Response and Relief Supplemental Appropriations Act (CRRSAA), and the American Rescue Plan (ARP), which allocated a total of $80,067,000 from fiscal 2020 through fiscal 2022 under the Higher Education Emergency Relief Funds (HEERF). During this period, the University distributed $47,859,000 directly to students as emergency aid and utilized $32,208,000 to defray the incremental cost of transitioning to a hybrid education model, COVID-19 testing, and other pandemic-related health and safety protocols. As all funds allocated to the University were spent by the end of fiscal 2022, no HEERF funds were recognized in fiscal 2023.

Summary of Significant Accounting Policies:

Basis of Presentation:
The accompanying consolidated financial statements have been prepared on the accrual basis in accordance with U.S. generally accepted accounting principles (GAAP).

The consolidated financial statements include the University and its wholly owned subsidiaries. All significant intercompany transactions and accounts have been eliminated.

Boston Medical Center is the primary teaching affiliate of the Boston University School of Medicine. Boston Medical Center is a separately governed legal entity organized as a 501(c)(3) and is not consolidated in the accompanying consolidated financial statements.

Net Asset Classification:
Net assets, revenues, and investment returns are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes in net assets are classified as follows:

- Net assets without donor restrictions are not subject to donor stipulations restricting their use, but may be designated for a specific purpose by the University or may be limited by contractual agreements with outside parties.
- Net assets with donor restrictions are subject to donor stipulations that expire by the passage of time, can be fulfilled by actions pursuant to the stipulations, or which may be perpetual.

Net assets with donor restrictions that expire by the passage of time totaled $1,052,602,000 and $1,112,162,000 as of June 30, 2023 and 2022, respectively. Net assets with perpetual donor restrictions totaled $1,111,119,000 and $971,051,000 as of June 30, 2023 and 2022, respectively.

The composition of net assets as of June 30, 2023 and 2022, in thousands of dollars, is as follows:

	2023		
	Without Donor Restrictions	With Donor Restrictions	Total Net Assets
Endowment:			
General purpose	$ 1,037,405	$ 432,518	$ 1,469,923
Scholarships	127,260	598,789	726,049
Professorships	127,246	506,026	633,272
Awards, prizes, fellowships, and other	32,320	129,169	161,489
Research	22,130	105,391	127,521
Annuities	-	20,072	20,072
Total endowment and annuity funds	1,346,361	1,791,965	3,138,326
Other funds:			
General and plant funds	1,871,150	-	1,871,150
Building and gift funds	140,335	35,600	175,935
Pledges	-	268,377	268,377
Student loan funds	21,496	33,073	54,569
Unexpended endowment distributions	109,257	34,706	143,963
Total other funds	2,142,238	371,756	2,513,994
Total net assets	$ 3,488,599	$ 2,163,721	$ 5,652,320

	2022		
	Without Donor Restrictions	With Donor Restrictions	Total Net Assets
Endowment:			
General purpose	$ 969,785	$ 424,287	$ 1,394,072
Scholarships	124,866	557,649	682,515
Professorships	123,225	484,062	607,287
Awards, prizes, fellowships, and other	30,266	123,222	153,488
Research	20,589	97,127	117,716
Annuities	-	18,274	18,274
Total endowment and annuity funds	1,268,731	1,704,621	2,973,352
Other funds:			
General and plant funds	1,635,776	98,497	1,734,273
Building and gift funds	126,791	31,982	158,773
Pledges	-	181,994	181,994
Student loan funds	20,821	36,428	57,249
Unexpended endowment distributions	102,384	29,691	132,075
Total other funds	1,885,772	378,592	2,264,364
Total net assets	$ 3,154,503	$ 2,083,213	$ 5,237,716

Collections:
The University's collections, acquired through purchases and contributions since the University's inception, are not recognized as assets on the Consolidated Statements of Financial Position. Purchases of collection items are recorded as decreases in net assets without donor restrictions in the year in which the items are acquired.

The University's collections are made up of artifacts of historical significance, scientific specimens, and art objects that are held for educational, research, scientific, and curatorial purposes. Each of the items is cataloged, preserved, and cared for, and activities verifying their existence and assessing their condition are performed regularly. The collections are subject to a policy that requires proceeds from dispositions to be used to acquire and maintain other items for collections.

Use of Estimates:
The preparation of consolidated financial statements in conformity with GAAP 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 dates of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting periods. Actual results may differ from those estimates.

Related Party Transactions:
Under the University's conflict of interest policy, all business and financial relationships among the University and entities affiliated with Trustees or Officers of the University are subject to the review and approval of the Audit Committee of the Board of Trustees. Disclosures about the University's related party transactions, including those with affiliates, are described in notes 1, 3, and 11 to the consolidated financial statements.

Cash and Cash Equivalents:
Cash equivalents consist primarily of short-term money market mutual funds and treasury bills with original maturities of 90 days or less.

Cash and cash equivalents-restricted represent collateral posted with counterparties under the terms of certain derivative agreements.

The following table summarizes cash, cash equivalents, and restricted cash reported on the statement of cash flows as of June 30, 2023 and 2022, in thousands of dollars:

	2023	2022
Cash and cash equivalents	$ 230,799	$ 385,608
Cash and cash equivalents-restricted	2,484	37,164
Total cash, cash equivalents, and restricted cash	$ 233,283	$ 422,772

Fair Value Measurements:
Investments and interest rate exchange agreements are reported at fair value in the University's consolidated financial statements. Fair value represents the price that would be received upon the sale of an asset or paid upon the transfer of a liability in an orderly transaction between market participants as of the measurement date. GAAP establishes a fair value hierarchy that prioritizes inputs used to measure fair value into three levels:

- Level 1—quoted prices (unadjusted) in active markets that are accessible at the measurement date for identical assets or liabilities.
- Level 2—observable prices that are based on inputs not quoted in active markets, but corroborated by market data.
- Level 3—unobservable inputs that are used when little or no market data is available.

The fair value hierarchy gives the highest priority to Level 1 inputs and the lowest priority to Level 3 inputs. In determining fair value, the University utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs to the extent possible.

The majority of the University's long-term investments are held through limited partnerships and commingled funds for which fair value is estimated using net asset value (NAV) reported by fund managers as a practical expedient. Fair values of investments in funds similar to mutual funds that are deemed to have readily determinable fair value, are measured at published NAV.

The NAVs or their equivalents, as estimated and reported by the general partners or investment managers, are reviewed, monitored, and evaluated by the University's Investment Office, in accordance with valuation procedures established by the University's Investment Committee, the Chief Investment Officer, and the Senior Vice President, CFO, and Treasurer.

Valuation results, changes in valuation policies and procedures, and issues regarding valuation that may arise from time to time are reviewed with the University's Investment Committee, the Chief Investment Officer, and the Senior Vice President, CFO, and Treasurer.

Non-core institutional real estate is valued using one or more of the following valuation techniques: the use of prices and other information generated by other relevant market transactions, or an income approach determining valuation by direct capitalization of net income or discounting future cash flows. Inputs such as capitalization rates, price information, operating statistics, specific and broad credit data, recent transactions, discount rates, and other factors are used in the valuation calculations.

Funds Held in Trust by Others:
The University is the beneficiary of certain perpetual trusts held and administered by outside trustees. The University's interests are reported at estimated fair value, based on the value of the underlying assets, which approximates the present value of future income from these trusts. These assets are categorized in Level 3 of the hierarchy. Income distributions from these trusts are recorded as investment income for current operations.

The University's split-interest agreements with donors consist of irrevocable charitable gift annuities and charitable remainder trusts held and administered by others. For annuity contracts, the contributed assets are included in investments at fair value. Contribution revenue, net of the accompanying obligation, is recognized as of the date the donated assets are transferred to the University, and liabilities are recorded at the present value of estimated future payments to the donors and beneficiaries. The liabilities are adjusted during the term of the agreements and contracts to reflect actuarial gains and losses.

The present values of the estimated future cash receipts from charitable remainder trusts are recognized as assets and contribution revenues as of the dates the trusts are established. Distributions from these trusts are recorded as investment income, and the carrying value of the assets is adjusted for changes in estimates of future receipts.

Property, Plant, and Equipment:
Land, buildings, equipment, and library books are reported at cost or estimated fair value at the date of contribution. Maintenance and repairs are expensed as incurred and improvements that increase the useful life of the asset are capitalized. Costs associated with the construction of new facilities are reported as additions to construction in progress when expended until such projects are completed. Equipment includes general and scientific equipment, computers, furniture, and vehicles.

For the years ended June 30, 2023 and 2022, the University acquired equipment and other assets of approximately $6,803,000 and $6,453,000, respectively, through the use of federal funds. In most cases, the University continues to maintain the assets after the granting agreement expires.

Depreciation is computed on a straight-line basis over the remaining useful lives of assets as follows: buildings, 50 years; renovations and improvements, 20 years or lease term, if shorter; University buildings used in sponsored research activities, 12 to 50 years, based on the distinct useful lives for each major building component; equipment, 2 to 20 years; internally used software, 20 years; and library books, 10 years. Depreciation expense for the years ended June 30, 2023 and 2022 was $153,273,000 and $145,617,000, respectively.

Long-lived assets and certain intangibles are reviewed for impairment whenever events or changes in circumstances indicate that their carrying amount may not be recoverable. When such events or changes in circumstances indicate an asset may not be recoverable, the impairment loss recognized is the amount by which the asset's net carrying value exceeds its estimated fair value.

Leasing:
The University determines if an arrangement is a lease at inception. The University has both leases under which it is obligated as a lessee and leases for which it is a lessor. Operating leases as a lessee are included in right-of-use assets-operating leases and operating lease obligations in the Consolidated Statements of Financial Position. Finance leases as a lessee are included in property, plant, and equipment and finance lease obligations in the Consolidated Statements of Financial Position.

Right-of-use assets represent the University's right to use an underlying asset for the lease term. Lease obligations represent the University's liability to make lease payments arising from the lease. Operating and finance lease right-of-use assets and related obligations are recognized at commencement date based on the present value of lease payments over the lease term discounted using an appropriate incremental borrowing rate. The incremental borrowing rate is based on the information available at commencement date in determining the present value of lease payments. The value of an option to extend or terminate a lease is reflected to the extent it is reasonably certain management will exercise that option. Lease expense for lease payments is recognized on a straight-line basis over the lease term. Interest expense is recognized as a component of the lease payment for finance leases.

Rental income arising from operating leases as a lessor is included in operating revenue in auxiliary enterprises in the Consolidated Statements of Activities.

Conditional Asset Retirement Obligations:
The University recognizes the fair value of a liability for legal obligations associated with asset retirements in the period in which the obligation is incurred. When the liability is initially recorded, the cost of the asset retirement obligation is capitalized by increasing the carrying amount of the related long-lived asset. The liability is accreted to its present value each period, and the capitalized cost associated with the retirement obligation is depreciated over the useful life of the related asset. Upon settlement of the obligation, any difference between the cost to settle the asset retirement obligation and the liability recorded is recognized as a gain or loss in the Consolidated Statements of Activities.

The asset retirement obligation at June 30, 2023 and 2022 was $11,571,000 and $12,057,000, respectively, and is included in other long-term obligations in the Consolidated Statements of Financial Position.

Revenue from Contracts with Customers:
Under Accounting Standards Codification (ASC) Topic 606, revenue from contracts with customers is recognized when control of the promised goods or services is transferred in an amount that reflects the consideration to which the University expects to be entitled in exchange for those goods or services (i.e., the transaction price).

Revenue from student education, residence, and dining services is reflected net of reductions from institutional student aid and is recognized as the services are provided over the academic year, which generally aligns with the University's fiscal year. Aid in excess of a student's tuition and fees is reflected as a reduction of residence and dining charges.

Disbursements made directly to students for living or other costs are reported as an expense. Payments for student services are generally received prior to the commencement of each academic term and are reported as student deposits to the extent services will be rendered in the following fiscal year.

The composition of net student tuition and fees revenue was as follows for the years ended June 30, 2023 and 2022, in thousands of dollars:

	2023	2022
Undergraduate	$ 771,912	$ 744,200
Postgraduate	542,940	530,574
Other	29,086	22,885
Total	$ 1,343,938	$ 1,297,659

Net auxiliary enterprises revenue consists of the following for the years ended June 30, 2023 and 2022, in thousands of dollars:

	2023	2022
Residence and dining services, net of student aid	$ 216,815	$ 190,239
Arena, parking, and retail operations	62,440	70,805
Total	$ 279,255	$ 261,044

Sales and services include revenues from clinical operations, public broadcasting, and other miscellaneous activities. Such revenues are recognized when goods or services are provided to customers.

Revenue from Sponsored Programs:
Grants and contracts awarded by federal and other sponsors, which are generally considered nonreciprocal transactions restricted by sponsors for certain purposes, are recognized as revenue when qualifying expenditures are incurred and conditions under the agreements are met. The University has elected the simultaneous release policy available under GAAP, which allows a not-for-profit organization to recognize a restricted contribution directly in net assets without donor restrictions if the restriction is met in the same period that the revenue is recognized. Grant revenue used for the construction or acquisition of plant is reported within nonoperating activities. The University recognizes reimbursement of facilities and administrative costs relating to government and foundation contracts and grants at authorized rates each year. All funds expended in connection with government grants and contracts are subject to audit by granting agencies. In the opinion of management, any potential liability resulting from these audits will not have a material effect on the University's financial position. Total revenue from grants and contracts recognized in net assets without donor restrictions was $572,052,000 and $614,881,000 for the years ended June 30, 2023 and 2022, respectively. Payments received from sponsors in advance of conditions being met are reported as deferred revenue, and totaled $70,382,000 and $68,700,000 as of June 30, 2023 and 2022, respectively. Conditional awards from federal and other sponsors outstanding as of June 30, 2023 and 2022 were $262,317,000 and $183,141,000, respectively.

As a result of the COVID-19 pandemic, the University received funds under the HEERF. The University provided emergency financial aid grants to students of $21,426,000 during the year ended June 30, 2022, which was recognized as revenue under sponsored program income for student aid. In addition, $20,453,000 of funds were used to defray institutional expenses associated with maintaining the desired student experience sought by the University as provided prior to the COVID-19 pandemic and required investments in testing as well as health and safety protocols during the year ended June 30, 2022, which were recognized as revenue under sponsored programs-direct. As all funds were spent by the end of fiscal year 2022, no HEERF funds were recognized during the year ended June 30, 2023.

External Fringe Benefit Recoveries:
External fringe benefit recoveries includes payments from affiliated organizations for the cost of fringe benefits paid by the University under a common paymaster agreement.

Contributions:
Contributions, including unconditional promises to give, are recognized upon receipt at fair value. Contributions other than cash are recorded at fair value at the date of contribution. Contributions whose restrictions are met in the same fiscal year as their receipt are reported as contributions without donor restrictions. Contributions with donor-imposed restrictions are reported as revenues with donor restrictions and are reclassified to net assets without donor restrictions when an expenditure is incurred that satisfies the restriction or when the designated time elapses. Pledges receivable are carried at estimated net present value, net of allowance for uncollectible amounts. Conditional promises to give are not recognized until the conditions on which they depend are substantially met.

Income Taxes:
The University is generally exempt from income tax under Section 501(c)(3) of the U.S. Internal Revenue Code, except to the extent the University has unrelated business income. As of June 30, 2023 the University's federal net operating loss carryforwards prior to June 30, 2018 are $17,028,000, and expire in various years from 2024 to 2037. These losses may be applied to offset taxable income for any unrelated business activity earned in future years. IRC section

512 (a)(6), enacted in December 2017 as part of the Tax Cut and Jobs Act, requires tax exempt organizations with multiple sources of unrelated business income to separately compute ("silo") net unrelated business income and losses on an activity by activity basis; for taxable years beginning after December 31, 2017, expenses from one unrelated business activity may no longer be used to offset the income from another. Net operating loss carryforwards beginning July 1, 2018 through June 30, 2023 are $33,387,000 and may be carried forward indefinitely, but may only be used to offset income from the activity generating the loss. The University believes that unrelated business activities will generate future taxable income during the periods in which these operating loss carryforwards will become deductible and has recorded deferred tax assets totaling $2,647,000 as of June 30, 2023 and 2022. The University has no material uncertain tax positions.

Nonoperating Activities:
Nonoperating activities reflect transactions of a long-term investment or capital nature, including contributions to be received in the future, gains and losses on interest rate exchange agreements, the excess of investment returns over the spending formula amount, and certain other activities.

Supplemental Disclosure of Cash Flow Information:
The following information is intended to supplement the Consolidated Statements of Cash Flows for the years ended June 30, 2023 and 2022, in thousands of dollars:

	2023	2022
Interest paid in cash, net of capitalized interest of $2,237 and $7,595	$ 74,919	$ 55,546
Noncash investing activities:		
(Decrease) increase in accounts payable for property, plant, and equipment	(6,181)	19,699
Increase in investments for pledged donated properties received	9,511	-
Increase in investments from donated assets	972	-
(Increase) decrease in investments for residual note asset	(693)	2,286
Increase in purchases of investments for forward foreign currencies	448	-
Increase in payables for purchases of investments	1,297	7,824
Increase in receivables for sales of investments	(5,004)	(11,637)

In January 2023, the University purchased 11–19 Deerfield Street for $56,099,000, net of closing costs. With the execution of the purchase, the land lease associated with the building was terminated, releasing $12,353,000 of deferred ground lease deposits previously received, which adjusted the purchase price. The University intends to utilize the building and associated land for institutional purposes, therefore, the net basis of the building totaling $43,647,000 was recorded within property, plant, and equipment. Land on which the building sits, valued at $13,185,000, was previously recognized as non-core institutional real estate within long-term investments. As a result of this transaction, the University reclassified the land from long-term investments into property, plant, and equipment.

The following table summarizes cash paid for amounts included in the measurement of lease liabilities, under ASC 842, for operating and finance leases as a lessee for the years ended June 30, 2023 and 2022, in thousands of dollars:

	2023	2022
Operating cash flows from finance leases	$ 3,406	$ 3,558
Operating cash flows from operating leases	15,984	16,824
Financing cash flows from finance leases	658	753

In April 2022, the University executed the purchase option of an operating lease releasing the obligation and disposing of the right-of-use assets at the net present value of $730,000. The purchase of this property resulted in an increase in long-term investments.

2. Financial Assets and Liquidity Resources

As of June 30, 2023 and 2022, financial assets and liquidity resources available within one year for general expenditures, including operating expenses, scheduled principal payments on debt, and capital construction costs not financed by debt are as follows, in thousands of dollars:

	2023	2022
Financial assets, at year-end	$ 5,113,845	$ 4,934,231
Less: those unavailable for general expenditures within one year, due to:		
Contractual or donor-imposed restrictions:		
Donor restricted endowment	(1,791,965)	(1,704,621)
Pledges receivable due in greater than one year or restricted for use	(260,100)	(175,416)
Restricted cash and cash equivalents	(2,484)	(37,164)
Student loans receivable due in greater than one year	(26,478)	(31,458)
Investment in residual asset note	(19,840)	(32,127)
Board designations:		
Quasi-endowment funds	(1,346,361)	(1,268,731)
Add: approved endowment spending distribution for next fiscal year	113,900	103,584
Financial assets available to meet cash needs for general expenditures within one year	$ 1,780,517	$ 1,788,298

The University's cash flows have seasonal variations attributable primarily to the timing of tuition billing and contributions received. The University has various sources of liquidity including cash and cash equivalents, marketable debt securities, and access to lines of credit with five financial institutions. To manage liquidity, the University maintains a working capital portfolio conservatively invested corresponding to the amounts and duration of projected liquidity needs. Although the University does not intend to spend from board designated endowment funds other than amounts appropriated for operations, the University's quasi-endowment funds, as well as accumulated gains and losses with donor restrictions, could be made available, if necessary, with approval from the Board of Trustees, subject to liquidity of the underlying investments and to the extent allowed by law.

3. Investments

Basis of Reporting:
Investments consist of directly held equity and fixed income securities, registered mutual funds, exchange traded funds, commingled funds, limited partnerships, non-core institutional real estate, and funds held in trust by others. Investments are reported at estimated fair value.

If an investment is held directly by the University and an active market with quoted prices exists, the market price of an identical security is used as the reported fair value. The majority of the University's investments are in shares or units of institutional commingled funds and limited partnerships invested in equity, fixed income, hedge, natural resources, private equity, or real estate strategies. Hedge strategies involve funds whose managers have the authority to invest in various asset classes at their discretion, including the ability to invest long and short. Funds with hedge strategies generally hold securities or other financial instruments for which a ready market exists and may include stocks, bonds, put or call options, swaps, currency hedges, and other instruments, which are valued by the investment manager. Private equity funds employ buyout, growth, venture capital, and distressed security strategies. Real estate and natural resources funds generally hold interests in private real estate, oil and gas partnerships, and mineral holdings.

The University's interests in commingled investment funds are generally reported at the NAV reported by the fund managers and determined to be reasonable by the University. NAV is used as a practical expedient to estimate the fair value of the University's interest therein, unless it is probable that all or a portion of the investment will be sold for an amount different from NAV. As of June 30, 2023 and 2022, the University had no plans or intentions to sell investments at amounts different from NAV.

Although the University's alternative fund managers generally adhere to fair value accounting in determining NAV, because of inherent uncertainties in valuation assumptions, the estimated fair values for alternative investments may differ significantly from values that would have been used had a ready market existed, and the differences could be material. Such valuations are determined by fund managers and generally consider variables such as operating results, earnings of the underlying holdings, projected cash flows, recent sales prices, and other pertinent information.

The fair value of non-core institutional real estate is based on independent appraisals and broker opinions of value, including recent sales of relevant properties in the same region and in an active market. The determination of whether a real estate market is active is based on the median number of days to sale for properties with a similar geographic location, type, size, condition, and long-term occupancy rate. When independent appraisals have not been carried out and where comparable sales information is not available, a direct capitalization model is used, with significant assumptions including rental rates ranging from $15 to $64 per square foot and weighted average capitalization rates of 5.75%. Significant changes in these inputs may result in a significantly lower or higher fair value measure.

Cash and investments included in the Consolidated Statements of Financial Position at June 30, 2023 and 2022 were as follows, in thousands of dollars:

	2023	2022
Cash and cash equivalents	$ 230,799	$ 385,608
Cash and cash equivalents-restricted	2,484	37,164
Short-term investments	995,766	813,229
Investment in residual asset note	19,840	32,127
Long-term investments	3,352,755	3,249,790
	4,601,644	4,517,918
Less: assets not reported at fair value:		
Investment in residual asset note	(19,840)	(32,127)
Real estate partnerships accounted for under the equity method	(26,947)	(26,309)
Total cash and investments at fair value	$ 4,554,857	$ 4,459,482

The following tables summarize the University's cash and investments in the fair value hierarchy as of June 30, 2023 and 2022, in thousands of dollars:

As of June 30, 2023	Investments Measured at NAV	Investments Classified in the Fair Value Hierarchy Level 1	Level 2	Level 3	Total Fair Value
Assets at fair value:					
Cash and cash equivalents	$ -	$ 233,283	$ -	$ -	$ 233,283
Common and preferred equities:					
Domestic	184,944	80,925	-	-	265,869
International	326,515	75,604	26,357	-	428,476
	511,459	156,529	26,357	-	694,345
Fixed income:					
Domestic	-	978	1,289	-	2,267
International	-	7	100	-	107
U.S. government and agencies	-	1,130,063	1	-	1,130,064
	-	1,131,048	1,390	-	1,132,438
Alternatives:					
Hedge	889,038	-	-	-	889,038
Natural resources	65,953	-	-	-	65,953
Private	1,036,932	-	-	333	1,037,265
Real estate	122,145	-	-	366,591	488,736
	2,114,068	-	-	366,924	2,480,992
Funds held in trust by others	-	-	-	13,799	13,799
Total assets at fair value	$ 2,625,527	$ 1,520,860	$ 27,747	$ 380,723	$ 4,554,857

As of June 30, 2022	Investments Measured at NAV	Investments Classified in the Fair Value Hierarchy Level 1	Level 2	Level 3	Total Fair Value
Assets at fair value:					
Cash and cash equivalents	$ -	$ 422,772	$ -	$ -	$ 422,772
Common and preferred equities:					
Domestic	149,762	70,786	-	-	220,548
International	338,396	56,591	45,711	-	440,698
	488,158	127,377	45,711	-	661,246
Fixed income:					
Domestic	-	875	1,625	-	2,500
International	-	5	275	-	280
U.S. government and agencies	-	962,014	478	-	962,492
	-	962,894	2,378	-	965,272
Alternatives:					
Hedge	802,737	-	-	-	802,737
Natural resources	71,726	-	-	-	71,726
Private	1,052,679	-	-	333	1,053,012
Real estate	101,208	-	-	367,980	469,188
	2,028,350	-	-	368,313	2,396,663
Funds held in trust by others	-	-	-	13,529	13,529
Total assets at fair value	$ 2,516,508	$ 1,513,043	$ 48,089	$ 381,842	$ 4,459,482

The following tables present a summary of the University's activity for the years ended June 30, 2023 and 2022 for investments categorized in Level 3, in thousands of dollars:

2023	Alternatives Private	Alternatives Real Estate	Funds Held in Trust by Others	Total Assets in Level 3
Fair value, July 1, 2022	$ 333	$ 367,980	$ 13,529	$ 381,842
Additions	-	18,303	-	18,303
Sales or redemptions	-	(911)	-	(911)
Transfer out to property, plant, and equipment	-	(13,185)	-	(13,185)
Unrealized (losses) gains	-	(5,596)	270	(5,326)
Fair value, June 30, 2023	$ 333	$ 366,591	$ 13,799	$ 380,723

2022	Alternatives Private	Alternatives Real Estate	Funds Held in Trust by Others	Total Assets in Level 3
Fair value, July 1, 2021	$ 333	$ 342,641	$ 13,845	$ 356,819
Additions	-	12,327	-	12,327
Unrealized (losses) gains	-	13,012	(316)	12,696
Fair value, June 30, 2022	$ 333	$ 367,980	$ 13,529	$ 381,842

Investment Related Derivatives:

The endowment employs certain derivative financial instruments to replicate long asset positions more cost effectively than through purchases or sales of the underlying assets.

As a result of entering investment derivative agreements, the University is subject to market volatility consistent with the underlying asset classes. The University has established policies, procedures, and internal controls governing the use of derivatives.

The purchase and sale of exchange-traded derivatives require collateral deposits with the Futures Commission Merchant (FCM). Collateral is posted and moved on a daily basis as required by the rules of the exchange on which the derivatives are traded. In the event of the FCM's insolvency, recovery may be limited to the University's pro-rata share of segregated customer funds available. It is possible that the recovery amount could be less than the total cash or other collateral posted. The collateral is generally in the form of debt obligations issued by the U.S. Treasury or cash. Cash collateral and certain securities owned by the University were held at counterparty brokers to collateralize these positions and are included in cash and cash equivalents-restricted on the Consolidated Statements of Financial Position.

As of June 30, 2023, the aggregate notional exposure on long-term investment assets was $37,894,000. The associated unrealized gain on these assets was $144,000 as of June 30, 2023. The associated asset value recorded was $1,035,000 as of June 30, 2023. During the fiscal year 2022, the University sold its derivative investments and no notional exposure was in place as of June 30, 2022. Realized losses on these assets were $78,000 for the year ended June 30, 2022.

Residual Asset Note:

In June 2006, the University securitized its interest in an investment banking partnership that owned rights to future cash flows. To effect a securitization, the rights to receive the future cash flows were transferred from the University to a 100% owned, bankruptcy remote, special purpose limited liability corporation (LLC). The LLC issued a zero coupon note to Deutsche Bank Litigation Fee Trust (DBLF) collateralized by future cash flow rights. The note had an initial face value of $88,227,000, the aggregate amount of the expected cash flows between 2007 and 2021. The note was acquired by DBLF for $25,244,000 and is non-recourse to the University.

The LLC is consolidated in the financial statements of the University. The LLC's investment is recorded as an asset and the discounted note obligation is recorded as a liability on the Consolidated Statements of Financial Position. The discount on the note is amortized over its scheduled maturity using the effective interest method and the note obligation decreases as future cash flows are received.

Upon extinguishment of the note in fiscal year 2022, residual payments to the University commenced. The LLC's investment is valued based on a present value analysis using readily available and observable market discount factors. As of June 30, 2023 and 2022, the carrying value of the investment is $19,840,000 and $32,127,000, respectively. For the year ended June 30, 2023, payments received totaled $12,980,000.

Real Estate Partnerships:
The University owns shares ranging from 45% to 50% in certain University business-related real estate partnerships with a related party, which have been accounted for using the equity method. The University's ownership interest in these partnerships has been recorded within long-term investments on the Consolidated Statements of Financial Position.

Investment Return:
The following summarizes, in thousands of dollars, the investment return, as reflected in the Consolidated Statements of Activities:

For the year ended June 30, 2023	Without Donor Restrictions	With Donor Restrictions	Total
Dividend and interest income	$ 50,301	$ 9,049	$ 59,350
Net realized and unrealized gains on investments and other assets	68,425	67,766	136,191
Total return on investments and other assets	$ 118,726	$ 76,815	$ 195,541

For the year ended June 30, 2022	Without Donor Restrictions	With Donor Restrictions	Total
Dividend and interest income	$ 14,731	$ 13,381	$ 28,112
Net realized and unrealized losses on investments and other assets	(153,955)	(243,733)	(397,688)
Total return on investments and other assets	$ (139,224)	$ (230,352)	$ (369,576)

Commitments:
Private equity, natural resources, and real estate investments are generally made through private limited partnerships. Under the terms of the partnership agreements, the University makes a commitment of a specific amount of capital to a partnership and is obligated to remit committed funding periodically when capital calls are exercised by the General Partner as the partnership executes on its investment strategy. Private equity, natural resources, and real estate funds are typically structured with investment periods of 3 to 7 years. Subsequent to the expiration of the investment period, a fund is usually prohibited from calling capital for new investments. The aggregate amount of unfunded commitments associated with private limited partnerships as of June 30, 2023 and 2022 was $592,808,000 and $521,753,000, respectively. Of this amount, approximately 20% and 21% of commitments as of June 30, 2023 and 2022, respectively, was for funds whose investment period had expired. The timing and amount of capital calls expected to be exercised in any particular future year is uncertain.

Liquidity:
Investment liquidity is aggregated below based on redemption or sale period, in thousands of dollars:

As of June 30, 2023	Daily	Monthly	Quarterly	Annually	>1 Year	Total
Cash and cash equivalents*	$ 233,283	$ -	$ -	$ -	$ -	$ 233,283
Common and preferred equities:						
Domestic	79,877	1,076	75,575	84,999	24,342	265,869
International	75,599	202,944	22,804	29,963	97,166	428,476
	155,476	204,020	98,379	114,962	121,508	694,345
Fixed income:						
Domestic	2,247	20	-	-	-	2,267
International	100	7	-	-	-	107
U.S. government and agencies	1,130,064	-	-	-	-	1,130,064
	1,132,411	27	-	-	-	1,132,438
Alternatives:						
Hedge	-	-	281,808	281,770	325,460	889,038
Natural resources	-	-	-	-	65,953	65,953
Private	-	-	-	-	1,037,265	1,037,265
Real estate	-	-	-	364,415	124,321	488,736
	-	-	281,808	646,185	1,552,999	2,480,992
Funds held in trust by others	-	-	-	-	13,799	13,799
Total assets at fair value	$1,521,170	$ 204,047	$ 380,187	$ 761,147	$1,688,306	$4,554,857

*Cash and cash equivalents includes $2,019,000 of collateral posted with counterparties under the terms of certain derivative agreements; these funds are held in escrow and earn interest at short-term rates.

As of June 30, 2022	Daily	Monthly	Quarterly	Annually	>1 Year	Total
Cash and cash equivalents*	$ 422,772	$ -	$ -	$ -	$ -	$ 422,772
Common and preferred equities:						
Domestic	69,829	998	62,567	70,583	16,571	220,548
International	56,581	230,281	20,755	30,084	102,997	440,698
	126,410	231,279	83,322	100,667	119,568	661,246
Fixed income:						
Domestic	2,481	19	-	-	-	2,500
International	275	5	-	-	-	280
U.S. government and agencies	962,492	-	-	-	-	962,492
	965,248	24	-	-	-	965,272
Alternatives:						
Hedge	-	-	130,476	352,585	319,676	802,737
Natural resources	-	-	-	-	71,726	71,726
Private	-	-	-	-	1,053,012	1,053,012
Real estate	-	-	-	365,804	103,384	469,188
	-	-	130,476	718,389	1,547,798	2,396,663
Funds held in trust by others	-	-	-	-	13,529	13,529
Total assets at fair value	$1,514,430	$ 231,303	$ 213,798	$ 819,056	$1,680,895	$4,459,482

*Cash and cash equivalents includes $36,700,000 of collateral posted with counterparties under the terms of certain derivative agreements; these funds are held in escrow and earn interest at short-term rates.

Certain hedge funds contain lockup provisions. Under such provisions, share classes of the investment are available for redemption at various times in accordance with the management agreement with the fund.

The University has sole discretion to liquidate its direct holdings in non-core real estate included in the table above. These assets are located in the greater Boston market. Relevant market assumptions have been incorporated where applicable, determining the fair values of such assets involves significant judgment, and their ultimate sales price may be materially different than the values reported.

Investments in the ">1 Year" category include non-redeemable assets totaling $1,349,134,000 and $1,350,570,000, as well as investments with rolling lockup periods totaling $339,172,000 and $330,325,000 as of June 30, 2023 and 2022, respectively.

4. Endowment Funds

Total endowment assets as of June 30, 2023 and 2022 are $3,154,514,000 and $2,989,671,000, respectively. A pooled endowment fund is included as part of the University's investments. The amounts distributed from the investment return of pooled investments in any one year may include interest, dividends, and a portion of accumulated investment gains. The distribution amount is established annually and is between 3% and 5% of the market value per share as of the most recent December 31. The actual distribution amount is recommended by management and approved by the Trustee Executive Committee. If interest, dividends, and gains are not sufficient to support the current year drawdown, the balance is provided from prior year accumulated earnings. Income attributable to shares from new donor-restricted and institution designated endowment funds during the first six months after establishment is not spent; such income is included in net assets without donor restrictions or with donor restrictions, depending on the nature of the endowment fund. For the fiscal years ended June 30, 2023 and 2022, respectively, the distribution as a percentage of the prior December 31 fair value of the pooled endowment fund was 3.0% and 3.3%.

The University's endowment includes both donor-restricted endowment funds and funds designated by the Board of Trustees to function as endowments. As required by GAAP, net assets associated with endowment funds, including funds designated by the Board of Trustees to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

The University classifies as net assets with donor restrictions (a) the original value of contributions donated to the permanent endowment, (b) the original value of subsequent contributions 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. Original gift amounts consist of donor restricted gifts to the University's endowment to be held in perpetuity as well as gifts held in the endowment subject to donor time and purpose restrictions. Also included in net assets with donor restrictions is accumulated appreciation on donor restricted endowment funds until those amounts are appropriated for expenditure by the University in a manner consistent with the standard of prudence prescribed by the Uniform Prudent Management of Institutional Funds Act (UPMIFA). In accordance with UPMIFA, the University considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

(1) The duration and preservation of the fund

(2) The purposes of the organization and the donor-restricted endowment fund

(3) General economic conditions

(4) The possible effect of inflation and deflation

(5) The expected total return from income and the appreciation of investments

(6) Other resources of the organization

(7) The investment policies of the organization

The University has investment and spending policies for its endowment and similar funds that emphasize long-term capital appreciation as a primary source of return while balancing the dual objectives of growth in capital and principal preservation. Investments are expected to earn inflation-adjusted long-term returns sufficient to maintain or grow the purchasing power of assets, net of spending and investment expenses, within acceptable risk parameters. To satisfy its long-term rate of return objectives, the University relies on a total return strategy in which investment returns are achieved through both capital appreciation and current yield. The University targets a diversified asset allocation of U.S. treasury bills, common and preferred equities, fixed income, hedge funds, natural resources, private equity, and real estate. The portfolio is expected to produce risk-adjusted returns that exceed the policy benchmarks, a blended rate of indices.

The following table represents endowment net asset composition by type of fund as of June 30, 2023, in thousands of dollars:

		With Donor Restrictions			
	Without Donor Restrictions	Original Gift	Accumulated Gains (losses)	Total with Donor Restrictions	Total
Quasi	$ 1,346,361	$ -	$ -	$ -	$1,346,361
Donor restricted:					
Underwater funds	-	89,129	(6,888)	82,241	82,241
All other funds	-	790,717	919,007	1,709,724	1,709,724
Endowment net assets at end of year	$ 1,346,361	$ 879,846	$ 912,119	$ 1,791,965	$3,138,326

The following table represents changes in endowment net assets for the fiscal year ended June 30, 2023, in thousands of dollars:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets at beginning of year	$ 1,268,731	$ 1,704,621	$ 2,973,352
Reinvested income distribution	10,729	2,834	13,563
Realized and unrealized gains	54,195	76,438	130,633
Less: spending formula	(44,299)	(62,232)	(106,531)
Undistributed investment income	20,625	17,040	37,665
Contributions	5,649	14,799	20,448
Pledge payments	53	51,158	51,211
Other additions, transfers, and net asset reclassifications	51,303	4,347	55,650
Endowment net assets at end of year	$ 1,346,361	$ 1,791,965	$ 3,138,326

The following table represents endowment net asset composition by type of fund as of June 30, 2022, in thousands of dollars:

		With Donor Restrictions			
	Without Donor Restrictions	Original Gift	Accumulated Gains (losses)	Total with Donor Restrictions	Total
Quasi	$ 1,268,731	$ -	$ -	$ -	$ 1,268,731
Donor restricted:					
Underwater funds	-	39,066	(3,578)	35,488	35,488
All other funds	-	770,909	898,224	1,669,133	1,669,133
Endowment net assets at end of year	$ 1,268,731	$ 809,975	$ 894,646	$ 1,704,621	$ 2,973,352

The following table represents changes in endowment net assets for the fiscal year ended June 30, 2022, in thousands of dollars:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets at beginning of year	$ 1,447,021	$ 1,945,492	$ 3,392,513
Reinvested income distribution	9,565	2,014	11,579
Realized and unrealized losses	(166,634)	(230,420)	(397,054)
Less: spending formula	(40,560)	(55,585)	(96,145)
Undistributed investment income	(197,629)	(283,991)	(481,620)
Contributions	4,941	10,478	15,419
Pledge payments	32	31,898	31,930
Other additions, transfers, and net asset reclassifications	14,366	744	15,110
Endowment net assets at end of year	$ 1,268,731	$ 1,704,621	$ 2,973,352

5. Accounts Receivable and Pledges Receivable

Accounts Receivable:
Accounts and loans receivable at June 30, 2023 and 2022, in thousands of dollars, consist of the following:

	2023	2022
Accounts receivable, net:		
Students	$ 21,203	$ 21,023
Less: allowances	(5,924)	(7,077)
	15,279	13,946
Grants and contracts	110,263	116,149
Unsettled investment trades	24,353	19,349
Departmental sales, services, and other	65,307	53,880
Less: allowances	(8,749)	(9,139)
	191,174	180,239
Student loans	40,634	44,364
Less: allowances	(3,263)	(4,230)
	37,371	40,134
Total accounts and loans receivable, net	$ 243,824	$ 234,319

Federally sponsored student loans receivable represented $13,195,000 and $16,598,000 as of June 30, 2023 and 2022, respectively, of total student loans receivable, which consist of amounts due from current and former students under various federal government loan programs, including Perkins and health professional programs offered to graduate and undergraduate students. The University's advances under Perkins and other federally funded student loan programs were $17,946,000 and $21,069,000 as of June 30, 2023 and 2022, respectively, and are included in other long-term obligations on the Consolidated Statements of Financial Position. The University has the right to assign loans disbursed under these programs to the federal government upon default by the borrower; therefore, no allowance has been provided for these loans.

Departmental sales, services, and other receivables include outstanding notes, mortgages, and advances bearing interest at rates up to 4.91% at June 30, 2023 and 2022, respectively, to certain employees. The aggregate amount as of June 30, 2023 and 2022 is $9,447,000 and $8,496,000, respectively.

Pledges Receivable:
Pledges consist of unconditional written promises by donors to contribute to the University in the future. At June 30, 2023 and 2022, pledges, in thousands of dollars, are expected to be realized in the following time frame:

	2023	2022
In one year or less	$ 162,964	$ 135,912
Between one year and five years	123,225	60,599
More than five years	32,480	22,790
	318,669	219,301
Discount to present value (at rates ranging from 1.29% to 5.13%)	(21,669)	(12,123)
Less: allowance for unfulfilled pledges	(28,623)	(25,184)
Total pledges receivable, net	$ 268,377	$ 181,994

As of June 30, 2023 and 2022, over 70% of the University's gross pledges receivable was due from four donors.

6. Property, Plant, and Equipment

Property, plant, and equipment and related accumulated depreciation and amortization of right-of-use assets at June 30, 2023 and 2022, in thousands of dollars, consist of the following:

	2023	2022
Land	$ 237,057	$ 221,351
Buildings and improvements	4,219,863	3,806,553
Construction in progress	164,052	361,267
Software	60,511	57,558
Equipment	370,194	340,564
Library books	295,803	282,906
	5,347,480	5,070,199
Less: accumulated depreciation	(2,265,061)	(2,120,318)
Less: amortization of right-of-use assets	(30,532)	(28,839)
Total property, plant, and equipment, net	$ 3,051,887	$ 2,921,042

As of June 30, 2023 and 2022, gross land, buildings and improvements and equipment include $95,116,000, associated with equipment and office, research, and retail space finance leases.

7. Other Long-Term Obligations

Other long-term obligations at June 30, 2023 and 2022, in thousands of dollars, were as follows:

	2023	2022
Federal loan advances	$ 17,946	$ 21,069
Conditional asset retirement obligation	11,571	12,057
Annuities and split-interest agreements payable	6,709	8,218
Other	1,667	1,669
Total other long-term obligations	$ 37,893	$ 43,013

8. Indebtedness

Bonds and Notes Payable:

The principal amounts of bonds and notes payable at June 30, 2023 and 2022, in thousands of dollars, are summarized in the table below. Tax exempt and certain taxable bonds were issued through the Massachusetts Development Finance Agency (MDFA) and through the Massachusetts Health and Educational Facilities Authority (HEFA) prior to its merger with MDFA.

	Final Bond Maturity	Interest Rate at June 30, 2023	Interest Rate at June 30, 2022	Outstanding Principal 2023	Outstanding Principal 2022
Fixed rate bonds and notes payable:					
MDFA Series P, blended fixed rate	05/15/2059	5.63%	5.63%	$ 100,000	$ 100,000
MDFA Series W (taxable)	10/01/2045	5.20%	5.20%	100,470	100,470
MDFA Series X, blended fixed rate	10/01/2048	4.78%	4.78%	111,485	111,485
MDFA Series BB-1	10/01/2046	4.54%	4.54%	111,270	111,270
MDFA Series BB-2	10/01/2040	3.95%	3.95%	52,260	52,260
MDFA Series BB-3	10/01/2029	5.00%	5.00%	38,290	38,290
MDFA Series DD-1	10/01/2042	5.00%	5.00%	63,965	63,965
MDFA Series DD-2	10/01/2033	5.00%	5.00%	21,800	21,800
Series CC (taxable)	10/01/2048	4.06%	4.06%	300,000	300,000
Series EE (taxable)	10/01/2050	3.17%	3.17%	150,000	150,000
Series EE (taxable)	10/01/2035	2.58%	2.58%	50,000	50,000
Century notes (taxable)	07/15/2097	7.63%	7.63%	100,000	100,000
WBUR PPP Loan	08/03/2026	1.00%	1.00%	-	179
Various notes payable (taxable)	various	various	various	-	127
Total fixed rate bonds and notes payable				1,199,540	1,199,846
Variable rate bonds and notes payable:					
HEFA Series N (taxable)	10/01/2034	5.11%	1.62%	22,980	24,255
MDFA Series U-1	10/01/2040	2.93%	1.41%	50,000	50,000
MDFA Series U-2	10/01/2040	4.58%	1.26%	50,000	50,000
MDFA Series U-3	10/01/2040	4.58%	1.37%	50,000	50,000
MDFA Series U-5A	10/01/2031	4.73%	1.35%	22,800	24,800
MDFA Series U-5B	10/01/2031	4.73%	1.35%	23,900	26,000
MDFA Series U-6A	10/01/2042	4.47%	1.37%	62,850	62,850
MDFA Series U-6C	10/01/2042	3.55%	0.65%	52,545	52,545
MDFA Series U-6E	10/01/2042	3.55%	0.59%	62,695	62,695
Royal Bank of Scotland (taxable)	08/15/2029	5.50%	1.76%	15,854	17,264
MDFA Series Y	10/01/2039	3.92%	1.35%	35,000	35,000
MDFA Series AA-1	10/01/2039	4.44%	1.26%	81,370	81,370
MDFA Series AA-2	10/01/2039	4.29%	1.19%	81,370	81,370
Total variable rate bonds and notes payable				611,364	618,149
Total bonds and notes payable				1,810,904	1,817,995
Add: unamortized bond premium and discount, net				28,332	32,873
Less: unamortized bond issuance costs				(3,696)	(4,045)
Less: trust assets to refund Century notes				(100,000)	(100,000)
Total bonds and notes payable, net				$ 1,735,540	$1,746,823

Certain bond and bank obligations are collateralized by a pledge on tuition revenues, and certain other notes payable are collateralized by plant and property with a net carrying value of $37,968,000 and $39,183,000 as of June 30, 2023 and 2022, respectively. The University's bank agreements require annual compliance with financial covenants, including a minimum level of debt service coverage and a minimum level of expendable resources relative to debt. The University was in compliance with all debt covenants as of June 30, 2023 and 2022.

Scheduled principal payments on bonds and notes payable, in thousands of dollars, are presented in the table below:

Fiscal Year	Scheduled Principal Maturities
2024	$ 8,590
2025	8,925
2026	9,610
2027	24,873
2028	25,278
Thereafter	1,733,628
Total	$ 1,810,904

Scheduled principal maturities represent aggregate annual payments as required under long-term debt repayment schedules. As of June 30, 2023, the University's debt portfolio includes variable rate demand bonds (VRDBs) of $138,220,000, Series N, U-6C, and U-6E, that are supported by irrevocable letters of credit (LOCs). The LOCs are provided by a diverse group of financial institutions to secure bond repayment and interest obligations and have various maturity dates between September 2026 and May 2027. In the event that a VRDB cannot be remarketed, the bond may be "put" to the LOC provider, resulting in a loan to the University to fund redemption of the bond. If all outstanding VRDBs had been "put" as of June 30, 2023, aggregate scheduled loan repayments under the VRDB-related LOCs would be as follows: $23,037,000, $46,073,000, $46,073,000, and $23,037,000 in fiscal years 2024, 2025, 2026, and 2027, respectively. There have been no instances where a bond failed to be remarketed and was put back to the University.

In June 2020, the University issued Series EE of taxable bonds totaling $200,000,000, of which $154,444,000 was deposited into an irrevocable trust for the defeasance of all interest and principal payment obligations of the Century notes. On the call date, the escrow agent will release the final payments due on the Century notes. Trust assets equal to the par value of the Century notes, $100,000,000, are presented in the University's Consolidated Statements of Financial Position as a contra-liability reduction of bonds and notes payable, net. The remaining $54,444,000 of trust assets will be used to fund interest expense over the life of the notes and are included in the University's Consolidated Statements of Financial Position within prepaid expenses and other assets. On March 8, 2023, the University directed the escrow trustee to invest $3,613,000 of previously uninvested cash in government securities that will mature on or before July 15, 2027. An independent CPA firm provided a verification report documenting sufficiency of the escrow after this purchase. Any excess earnings not required for escrow payments will be returned to the University. The balance of trust assets remaining as of June 30, 2023 was $119,106,000. The remaining proceeds of approximately $45,556,000 from the Series EE issuance were utilized for operations.

Bank Lines:
The University has a total of $260,000,000 in committed lines of credit with six financial institutions. There were no draws or outstanding loans under these lines of credit as of and for the years ended June 30, 2023 and 2022. The current expiration dates for all lines of credit range from June 2024 to November 2025. The University plans to renew the lines of credit upon expiration.

Debt-Related Derivatives:
The University has entered into various long-term interest rate exchange agreements to hedge all or a portion of the variable interest rate exposure on certain debt issues, thereby managing the interest cost and risk associated with its outstanding debt. The contracts require the University to make fixed rate interest payments in exchange for variable rate interest payments on the respective notional principal amounts. The variable rate payments received are expected to approximate the interest payable on the underlying variable rate debt. Scheduled reductions of the notional amounts under the swap agreements also generally match the scheduled amortization of the underlying debt.

Below is a summary of the terms of the University's outstanding debt-related derivatives as of June 30, 2023 and 2022, in thousands of dollars:

Swap	Notional Amount	Fair Value 6/30/23	Fair Value 6/30/22	Effective Date	Termination Date	University Pays	University Receives***
Series DD-1	$ 86,410	$ 672	$ 1,221	08/01/2019	10/01/2023	SIFMA	1.15%
Series DD-2	25,000	-	3,464	10/03/2008	12/01/2027	5.28%	SIFMA
Series N	16,870	1,547	3,047	10/03/2008	10/01/2027	6.79%	LIBOR
Series U1–3	75,000	10,826	16,796	10/03/2008	10/01/2040	4.01%	69% of 1-Mo. USD LIBOR
Series U1–3	75,000	11,229	16,345	10/01/2007	10/01/2040	3.94%	69% of 1-Mo. USD LIBOR
Series U5	46,700	2,904	5,295	10/03/2008	10/01/2031	4.10%	67% of 1-Mo. USD LIBOR
Series U6	59,750	19,072	24,118	10/03/2008	10/01/2042	5.39%	SIFMA
Series U6	90,000	29,339	36,950	10/03/2008	10/01/2042	5.44%	SIFMA
Series U6	30,000	9,779	12,335	07/01/2008	10/01/2042	5.44%	SIFMA - 1-Mo.
Series U6	59,750	19,070	24,081	07/01/2008	10/01/2042	5.39%	SIFMA - 1-Mo.
Series U6	2,900	-	27	10/03/2008	10/01/2022	4.16%	67% of 1-Mo. USD LIBOR
Series Y	35,000	6,713	9,054	10/01/2014	10/01/2039	4.70%	SIFMA - 1-Mo.
Series AA-1	81,370	15,611	22,531	10/01/2015	10/01/2039	4.95%	67% of 1-Mo. USD LIBOR - .027%*
Series AA-2	81,370	15,022	21,801	10/01/2015	10/01/2039	4.95%	79% of 1-Mo. USD LIBOR + .032%**
Royal Bank of Scotland	15,925	(48)	1,730	08/15/2006	08/15/2029	5.645%	Daily SONIA +.1193 +45 basis points
Less: credit valuation adjustment		(3,600)	(3,263)				
Total		$ 138,136	$195,532				

*Until April 1, 2025; thereafter SIFMA
**Until April 1, 2026; thereafter SIFMA
***Effective July 1, 2023, the underlying LIBOR floating rate index will change from 1-Month LIBOR to 1-Month Secured Overnight Financing Rate (SOFR) plus a spread adjustment
SIFMA—Securities Industry and Financial Markets Association Municipal Swap Index
LIBOR—London Interbank Offered Rate
SONIA—Sterling Overnight Index Average

A $25,000,000 interest rate swap was terminated on June 23, 2023 at a cost of $2,148,000. Refer to the subsequent event footnote for further details relating to the overall debt refinancing transaction that finalized on July 12, 2023.

Interest rate exchange liabilities are valued using observable inputs, such as quotations received from the counterparty, dealers, or brokers, whenever available and considered reliable. In instances where models are used to validate third-party quotations, the value of the interest rate exchange liability 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, credit curves, assumptions for nonperformance risk, and correlations of such inputs. The fair value of interest rate exchange agreements is categorized within Level 2 of the valuation hierarchy.

In 2023 and 2022, the University's net settlement payments on interest rate exchange agreements were $18,114,000 and $31,905,000, respectively. These net settlement costs have been reported in nonoperating activities in net realized and unrealized gains on interest rate agreements on the Consolidated Statements of Activities.

For purposes of the Consolidated Statements of Cash Flows, net settlements under the University's interest rate exchange agreements are generally included in cash flows from operating activities. However, in October 2008, the University elected to terminate its existing interest rate exchange agreements with a subsidiary of Lehman Brothers after that firm's bankruptcy and simultaneously entered replacement agreements with new counterparties who provided cash to facilitate settlement of the existing agreements. Accordingly, future net settlements under various replacement agreements, with a total notional amount of $298,115,000 at June 30, 2023, are considered financing activities. During 2023 and 2022, respectively, $5,345,000 and $11,589,000 of the net settlement payments were classified as cash flows used in financing activities.

The University's interest rate exchange agreements necessarily involve counterparty credit exposure. The counterparties for the University's agreements are a diversified group of major financial institutions that meet the University's criteria for financial stability and creditworthiness. Interest rate exchange agreements provide for two-way collateral posting requirements intended to mitigate credit risk. At June 30, 2023 and 2022, the University was required to post collateral of $984,000 and $36,700,000, respectively. Posted collateral balances are included on the Consolidated Statements of Financial Position in cash and cash equivalents-restricted. Contractual bilateral collateral posting levels are based on counterparty public debt ratings; current University posting amounts could increase or decrease should the University's credit ratings change. Additionally, interest rate exchange contracts provide for early termination should a counterparty's credit ratings fall below investment grade.

9. Defined Contribution Plan

All employees who work at least 50% of a full-time schedule and have an appointment or an expected assignment duration of at least nine months are eligible to participate in the University's defined contribution benefit plans. The University contributes a specified percentage of eligible employee compensation and matches employee contributions up to 3.00%. Contributions for the year ended June 30, 2023 and 2022 were $93,006,000 and $91,735,000, respectively.

10. Leases

Leases:
The University is committed to minimum annual rent payments under several long-term non-cancellable operating and capital leases for educational and office space through fiscal year 2066.

The components of lease expense are as follows, in thousands of dollars:

	2023	2022
Lease cost:		
Finance lease expense:		
Amortization of right-of-use assets	$ 1,693	$ 1,806
Interest on lease liabilities	3,406	3,558
Operating lease expense	17,643	18,624
Short-term lease expense	7,630	3,607
Total lease expense	$ 30,372	$ 27,595
Other Information:		
Right-of-use assets obtained in exchange for new and amended operating lease liabilities	$ 9,610	$ 4,975
Weighted-average remaining lease term-finance leases	43 years	43 years
Weighted-average remaining lease term-operating leases	9.8 years	9.2 years
Weighted-average discount rate-finance leases	4.28%	4.28%
Weighted-average discount rate-operating leases	2.30%	2.14%

Payments due include options to extend leases that are reasonably certain through fiscal year 2066, in thousands of dollars, and are summarized below as of June 30, 2023:

Fiscal Year	Operating	Finance
2024	$ 15,213	$ 4,064
2025	15,537	4,064
2026	15,891	4,064
2027	14,835	4,064
2028	9,617	4,064
Thereafter	52,197	152,215
	123,290	172,535
Less: amounts representing interest	(11,433)	(93,603)
Total	$ 111,857	$ 78,932

The University is the lessor in several long-term non-cancellable leases for commercial space through fiscal year 2040. Future minimum rental revenue due, excluding from ground leases discussed in note 11, is summarized below as of June 30, 2023, in thousands of dollars:

Fiscal Year	Operating
2024	$ 8,203
2025	7,488
2026	6,770
2027	4,867
2028	3,400
Thereafter	27,909
Total	$ 58,637

11. Commitments and Contingencies

Deferred Ground Lease Revenue:

In December 2012, in connection with the sale of a non-core asset, the University entered into a 75-year ground agreement to lease the related land to the purchaser of the building. The lease term is through 2087. In connection with this transaction, the University received a prepaid lease payment of $38,625,000 that will be amortized on a straight-line basis over the term of the lease. For each of the years ended June 30, 2023 and 2022, the University recognized rental revenue of $515,000 related to the ground lease. The unamortized deferred ground lease revenue as of June 30, 2023 and 2022 is $33,217,000 and $33,732,000, respectively.

In connection with the sale of non-core assets, the University entered into four 99-year agreements to lease the related land to the purchaser of the buildings. The lease term is through 2115. In connection with this transaction, the University received a prepaid lease payment of $64,000,000 that will be amortized on a straight-line basis over the term of the lease. For each of the years ended June 30, 2023 and 2022, the University recognized rental revenue of $591,000 and $647,000, respectively related to the ground lease. The unamortized deferred rent as of June 30, 2023 and 2022 is $47,393,000 and $60,337,000, respectively. On January 31, 2023, Boston University purchased back one of the parcels related to the 99 year lease. As a result, the ground lease related to the one parcel was terminated and the $12,353,000 of deferred revenue reduced the purchase price.

Other:

As of June 30, 2023, the University has commitments of approximately $131,548,000 related to open construction contracts and capital acquisitions. This amount is expected to be financed from operating cash flows, federal government grants, and borrowings.

Effective July 1, 1996, the University entered into a support agreement with Boston Medical Corporation, which was formed from the merger of Boston City Hospital and Boston Medical Center Hospital. The University agreed to continue its support of clinical department operations at a level of support proportionately consistent to what was provided before the merger. The University's commitment for fiscal year 2023 was $8,991,000 and is reflected in operating expenses.

The University is a defendant in various legal actions arising in the normal course of its operations. Although the final outcome of such actions cannot currently be determined, the University believes that any resulting liability would not have a material effect on the University's financial position.

12. Functional Classification of Expenses

The Consolidated Statements of Activities present expenses by natural classification. The University also summarizes expenses by functional classification. The University's primary program services are instruction and departmental research. Expenses for educational support and auxiliary enterprises are incurred in support of this primary program activity. Operation and maintenance of plant expenses are allocated to program and supporting activities based upon a periodic assessment of facilities usage. Other natural expenses attributable to more than one functional expense category are allocated using a variety of cost allocation techniques such as square footage and time and effort.

Expenses presented by functional classification for the year ended June 30, 2023 are as follows, in thousands of dollars:

	Instruction and Departmental Research	Educational Support Activities	Sponsored Programs	Institutional Support	Auxiliary Enterprises	Total
Salaries and wages	$ 646,276	$ 111,402	$ 179,061	$ 123,954	$ 35,663	$ 1,096,356
Employee benefits	204,938	35,138	36,261	40,500	10,219	327,056
Supplies and services	158,601	112,541	194,843	75,930	112,092	654,007
Utilities, rent, and repairs	51,783	3,337	4,897	12,490	27,565	100,072
Depreciation	101,952	8,669	5,916	8,187	28,549	153,273
Interest	36,341	63	-	14,189	22,120	72,713
Total operating expenses	$ 1,199,891	$ 271,150	$ 420,978	$ 275,250	$ 236,208	$ 2,403,477

Expenses presented by functional classification for the year ended June 30, 2022 are as follows, in thousands of dollars:

	Instruction and Departmental Research	Educational Support Activities	Sponsored Programs	Institutional Support	Auxiliary Enterprises	Total
Salaries and wages	$ 591,405	$ 108,602	$ 172,469	$ 113,655	$ 33,418	$ 1,019,549
Employee benefits	193,776	35,426	35,131	39,696	10,118	314,147
Supplies and services	164,823	89,679	237,076	62,460	107,474	661,512
Utilities, rent, and repairs	44,724	3,045	9,861	11,943	23,035	92,608
Depreciation	89,757	9,542	6,540	8,693	31,085	145,617
Interest	25,862	43	-	10,092	15,739	51,736
Total operating expenses	$ 1,110,347	$ 246,337	$ 461,077	$ 246,539	$ 220,869	$ 2,285,169

13. Subsequent Events

On July 12, 2023, the University issued Series FF and GG, tax-exempt bonds totaling $149,360,000 and $50,370,000, respectively. Series FF and GG bonds were each issued at a premium, generating proceeds of $168,508,000 and $56,004,000, respectively. The Series FF bonds mature between 2024 and 2048, while the Series GG bonds mature between 2040 and 2042 have a mandatory put in 2028. The two series of bonds were issued at a combined interest rate of 4.08%.

Total proceeds, combined with $2,903,000 of University funds, were used to pay issuance costs and swap termination payments, with the remaining deposited with bond trustees to call the bonds when due. For bonds redeemed on August 1, 2023, total proceeds of $46,875,000 were deposited to fund $22,800,000 of principal for Series U-5A, $23,900,000 of principal for Series U-5B, and $175,000 of interest for both series. For bonds to be redeemed on October 1, 2023, total proceeds of $177,371,000 were deposited with a trustee to fund $86,485,000 of principal for Series X, $63,965,000 of principal for Series DD-1, $21,800,000 of principal for Series DD-2, and $4,306,000 of interest across all series. An independent verification agent has confirmed that funds deposited in the trust accounts are sufficient to pay the principal and interest on the bonds, when due.

Lastly, the University terminated two fixed-payer interest rate swaps, Series DD-2 and Series U-5AB, with notional amounts of $25,000,000 and $46,700,000, respectively, as part of Series FF and GG issuance. The DD-2 swap was terminated on June 23, 2023, at a cost of $2,148,000 and was funded by the University. The Series U-5AB swap was terminated on July 12, 2023, at a cost of $2,841,000 and was funded by a combination of bond proceeds and the University. The Series DD-1 fixed-receiver swap with a notional amount of $61,400,000 was extended through July 1, 2028.