



UNIVERSITY OF THE DISTRICT OF COLUMBIA

Basic Financial Statements

September 30, 2019 and 2018

(With Report of Independent Public Accountants Therein)

A Component Unit of the Government of the District of Columbia

UNIVERSITY OF THE DISTRICT OF COLUMBIA
(A Component Unit of the Government of the District of Columbia)

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UNIVERSITY OF THE DISTRICT OF COLUMBIA
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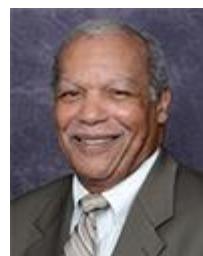
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Financial Operations and Systems

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Dionne Regis
Accounting Manager

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Director of Student Accounts

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Wychell Briscoe
Lead Customer Service Representative

Nikia Porter
Robin Sharps
Accounts Payable Supervisor

Krishna Saraiya
Internal Auditor

Cheryl Jones-Ables
Monica Lewis

Special appreciation to:

All fiscal and accounting personnel at the University and the District and its Component Units whose continuous efforts and cooperation to submit accurate, timely financial data made this report possible.



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REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

Mayor, Members of the City Council, Board of Trustees of University of the District of Columbia,
and Inspector General of the Government of the District of Columbia
Washington, D.C.

Report on the Financial Statements

We have audited the accompanying financial statements of the University of the District of Columbia (the University), a component unit of the Government of the District of Columbia, as of and for the years ended September 30, 2019 and 2018, and the related notes to the financial statements, which collectively comprise the University's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

The University's management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal controls relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audits. We did not audit the financial statements of the University of the District of Columbia Foundation, Inc. and the District of Columbia School of Law Foundation. Those statements were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for those component units, is based solely on the reports of the other auditors. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.



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Opinion

In our opinion, based on our audits and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the University, as of September 30, 2019 and 2018, and the discretely presented component units of the University, as of September 30, 2019 and 2018, and the respective changes in their financial position and, where applicable, cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audits of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 26, 2019, on our consideration of the University's internal controls over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal controls over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal controls over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the University's internal controls over financial reporting and compliance.

Washington, DC
December 26, 2019

SBC Company, LLC

UNIVERSITY OF THE DISTRICT OF COLUMBIA
(A Component Unit of the Government of the District of Columbia)

Management's Discussion and Analysis

September 30, 2019 and 2018

Management's Discussion and Analysis provides a narrative overview and analysis of the financial activities of the University of the District of Columbia (the University) as of and for the fiscal years ended September 30, 2019, and 2018, with 2017 for comparative purposes. This discussion and analysis should be read in conjunction with management's basic financial statements and the related note disclosures. The financial statements, disclosures, and management's discussion and analysis are the responsibility of management.

Basic Financial Statements

The University is a component unit of the Government of the District of Columbia and an integral part of the District's *Comprehensive Annual Financial Report*. The basic financial statements of the University consist of the University and its component units. The financial position and results of operations of the component units are discretely presented. The treatment of each component unit is governed by pronouncements issued by the Governmental Accounting Standards Board (GASB).

The University has two component units, the University of the District of Columbia Foundation, Inc. (the Foundation) and the University of the District of Columbia School of Law Foundation (the School of Law Foundation), because resources were significant and required presentation in accordance with Generally Accepted Accounting Principles (GAAP), they were determined to be discretely presented component units of the University. The two component units follow the Financial Accounting Standards Board (FASB) reporting standards for not-for-profit entities. Separate financial statements are issued for each of the component units and can be obtained from each Foundation. Note 2 (a) provides detailed information on the University's financial reporting entity.

The basic financial statements of the University are prepared in accordance with GAAP as established by GASB. These financial statements focus on the financial condition, the results of operations, and cash flows of the University as a whole.

The Statements of Net Position present the financial position of the University and include all assets, deferred outflows of resources, liabilities, deferred inflows of resources, and the various categories of net position. Net position is defined as assets, plus deferred outflows of resources, less liabilities, and deferred inflows of resources, and represents the institutional equity of the University.

Net position is presented in three major categories. The first category, net investment in capital assets, represents the equity in property, plant and equipment owned and/or controlled by the University. The University does not have any debt related to its capital assets. The main University campus resides on property owned by the Federal government. The University uses several buildings owned by the District and Federal governments, as well as several privately owned buildings. The second category is restricted net position. Nonexpendable restricted net position represents the endowment corpus from the Federal government in lieu of land. Expendable restricted net position represents funds received from grantors and contracts, which are available for expenditure, but have not been obligated as of the reporting date. The third category is unrestricted net position which is available to the University for any lawful purpose determined by the Board of Trustees of the University.

The Statements of Revenues, Expenses, and Changes in Net Position present the revenues earned and expenses incurred during the year, both operating and non-operating. These statements also reconcile the amount of beginning net position to the amount of ending net position as presented in the Statements of Net Position.

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Management's Discussion and Analysis

September 30, 2018 and 2017

Operating revenues are received for goods and services provided to the various customers, students and other constituents of the University. Operating expenses are those expenses paid or accrued to acquire or produce the goods and services in return for the operating revenues and to carry out the mission of the University. Non-operating revenues are received from legislative and/or investment sources in order to carry out the mission and goals set by the Board of Trustees. For example, appropriations from the Government of the District of Columbia (the District) are non-operating revenues because they are provided by the District to the University and the District Council does not directly receive commensurate goods and/or services for those revenues.

The Statements of Cash Flows present the inflows and outflows of cash and cash equivalents during the year. The cash flow activity is summarized by operating, noncapital, capital and related financing activities and investing activities. The statements reconcile the amount of beginning cash and cash equivalents to the ending amount of cash and cash equivalents, which is shown on the Statements of Net Position. These statements also reconcile the operating loss as shown on the Statements of Revenues, Expenses, and Changes in Net Position to the net cash used in operating activities.

Financial Highlights

Condensed Financial Information

Table 1 – Condensed Statements of Net Position as of September 30, 2019, 2018 and 2017 (in \$000):

	2019	2018	2017
Assets:			
Current assets	\$ 46,793	\$ 45,026	\$ 49,305
Noncurrent assets:			
Investments	45,707	45,361	43,124
Capital assets, net of depreciation	212,183	210,312	210,723
Other	55	107	107
Total assets	304,738	300,806	303,259
Liabilities:			
Current liabilities	42,334	36,613	40,523
Total liabilities	42,334	36,613	40,523
Net position:			
Net investment in capital assets	212,183	210,312	210,723
Nonexpendable restricted	7,242	7,568	7,568
Expendable restricted	2,223	2,096	1,993
Unrestricted	40,756	44,217	42,451
Total net position	\$ 262,404	\$ 264,193	\$ 262,735

Change in net position decreased by \$3.2 million or 222.8% from \$1.5 million in FY 2018 to a negative \$1.8 million in FY 2019. The decrease resulted mainly from a \$11.3 million or 7.1% increase in operating expenses in FY 2019 compared to FY 2018. The decreases were offset by a \$0.6 million or 9.3% increase in local and nongovernmental grants and contracts, a \$0.3 million or 23.5% increase in gifts and scholarships, a \$0.3 million

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Management's Discussion and Analysis

September 30, 2018 and 2017

or 4.6% increase in Federal Pell grants, a \$9.0 million or 11.3% increase in the District appropriations and a \$3.5 million or 30.1% increase in the capital appropriations revenues from the District.

The change in net position decreased \$16.1 million or 91.7% from \$17.6 million in FY 2017 to \$1.5 million in FY2018. The decrease resulted mainly from a \$16.7 million increase in operating expenses in FY2018 compared to FY 2017.

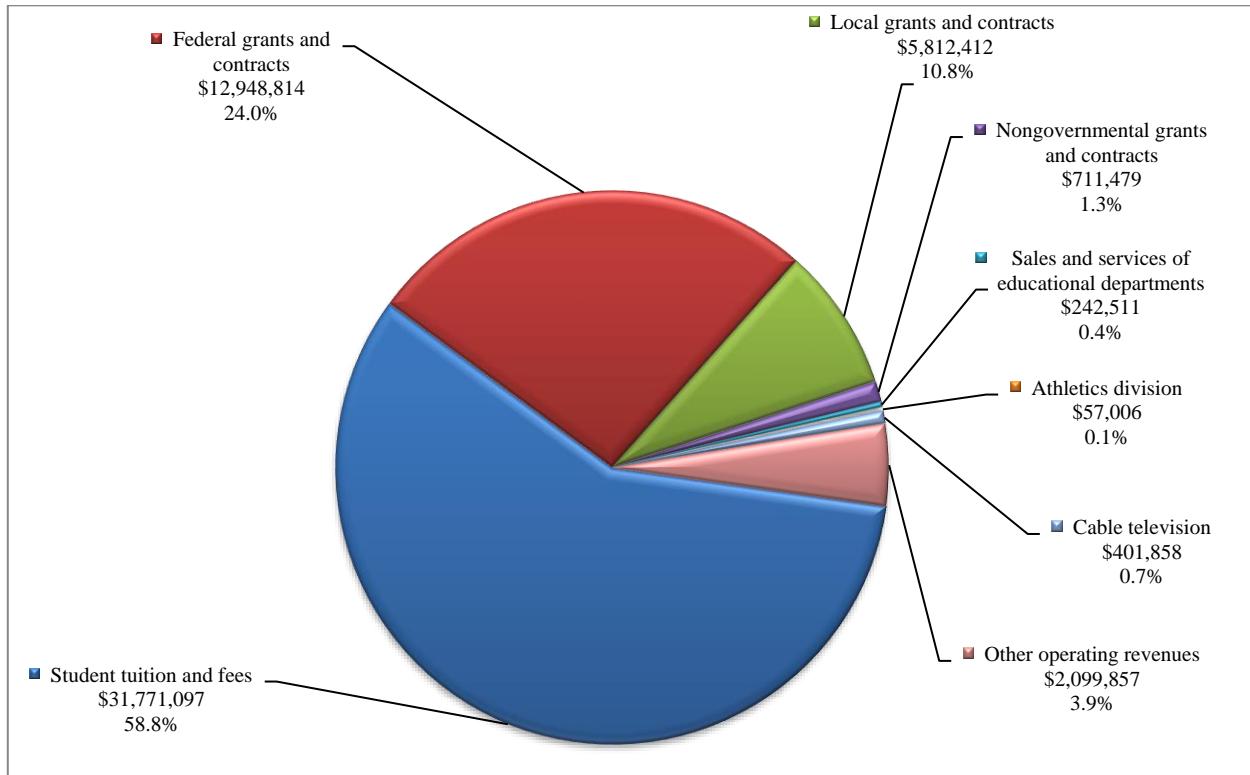
Table 2 – Condensed Statements of Revenues, Expenses, and Changes in Net Position for the Years Ended September 30, 2019, 2018 and 2017 (in \$000):

	2019	2018	2017
Operating revenues:			
Tuition and fees	\$ 31,771	\$ 33,759	\$ 34,424
Federal, local and private grants and contracts	19,473	19,799	21,463
Auxiliary enterprises and other sales and services	701	593	710
Other	2,100	3,018	2,825
Total operating revenues	54,045	57,169	59,422
Less operating expenses	(169,811)	(158,530)	(141,861)
Operating Loss	(115,766)	(101,361)	(82,439)
Non-operating revenues (expenses) net:			
District of Columbia appropriations	89,003	80,000	77,671
Investment income (net of investment expenses)	358	2,360	4,747
Other gifts/grants	9,462	8,810	7,998
Total non-operating revenues, net	98,823	91,170	90,416
(Decrease)/increase in net position before capital appropriations	(16,943)	(10,191)	7,977
Capital appropriations	15,154	11,649	9,627
(Decrease) increase in net position	(1,789)	1,458	17,604
Net position, beginning of year	264,193	262,735	245,131
Net position, end of year	\$ 262,404	\$ 264,193	\$ 262,735

UNIVERSITY OF THE DISTRICT OF COLUMBIA
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OPERATING REVENUES BY SOURCE

\$54 million in FY 2019



Total operating revenues decreased by \$3.1 million or 5.5% from \$57.2 million in FY 2018 to \$54.0 million in FY 2019. The primary drivers for the decrease were student tuition and fees, net, other operating revenues and Federal grants and contracts, which was offset by an increase in local and nongovernmental grants and contracts. Student tuition and fees decreased by \$2.0 million or 5.9% due to a decrease in student enrollment in FY 2019. Other operating revenues decreased by \$0.9 million or 30.4% mainly due to a reduction in rental income in FY 2019. Additionally, Federal grants and contracts decreased by \$0.9 million or 6.4% due to lower rate of spending on Federal funds in FY 2019. The decreases were offset by an increase of \$0.6 million or 9.3% in local and nongovernmental grants and contracts due to new grants awarded in FY 2019.

Total non-operating revenues increased by \$7.6 million or 8.4% from \$91.2 million in FY 2018 to \$98.8 million in FY 2019. This was the result of \$9.0 million or 11.3% increase in the District appropriations and a \$0.3 million or 23.5% increase in gifts for scholarships. The increases were offset by a decrease in investment income of \$2.0 million or 84.8% due to market fluctuations and Federal non-operating grants increased by \$0.3 million or 4.6% due to an increase in Pell grants awarded in FY 2019 compared to FY 2018.

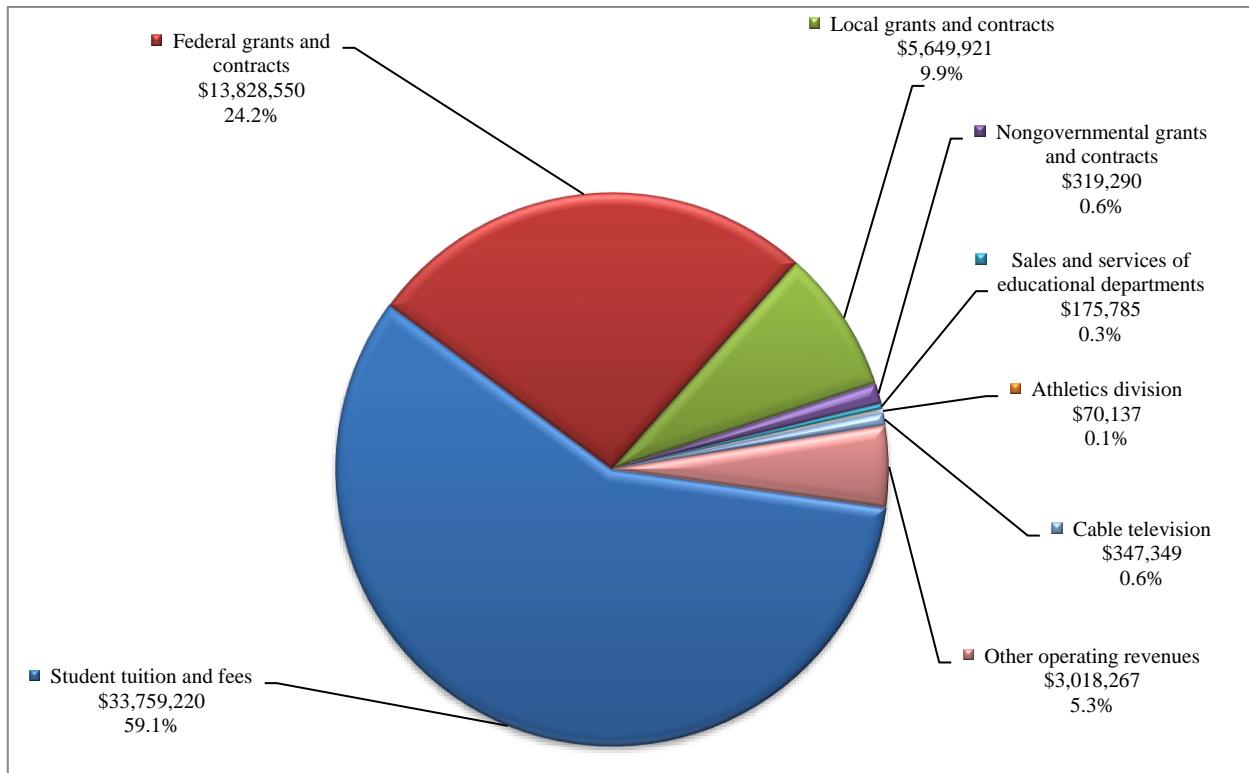
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Management's Discussion and Analysis

September 30, 2019 and 2018

OPERATING REVENUES BY SOURCE

\$57 million in FY 2018



Total operating revenues decreased by \$2.3 million or 3.8% from \$59.4 million in FY 2017 to \$57.2 million in FY 2018. The primary drivers for the decrease were federal and nongovernmental grants and contracts and student tuition and fees, net which was offset by an increase in local grants and contracts. Federal grants and contracts decreased by \$1.9 million or 12.3% due to lower rate of spending on federal funds in FY 2018. Nongovernmental grants and contracts decreased by \$.4 million or 55.5% due to a reduction in private grants awarded in FY 2018. Additionally, student tuition and fees, net decreased by \$0.7 million or 1.9% mainly driven by decrease in fulltime student enrollment in FY 2018. The decreases were offset by an increase of \$0.7 million or 13.4% in local grants and contracts due to new grants awarded in FY 2018.

Total non-operating revenues increased by \$0.8 million or 0.8% from \$90.4 million in FY 2017 to \$91.2 million in FY 2018. This was the result of \$2.3 million or 3.0% increase in the District appropriations, \$0.2 million or 15.5% increase in gifts for scholarships and \$0.6 million or 9.3% increase in Federal non-operating grants in FY 2018. The increases were offset by a decrease in investment income of \$2.4 million or 50.3% due to fluctuations in market. In addition, the University drawdown of \$4.5 million from the endowment short-term investment in FY 2018.

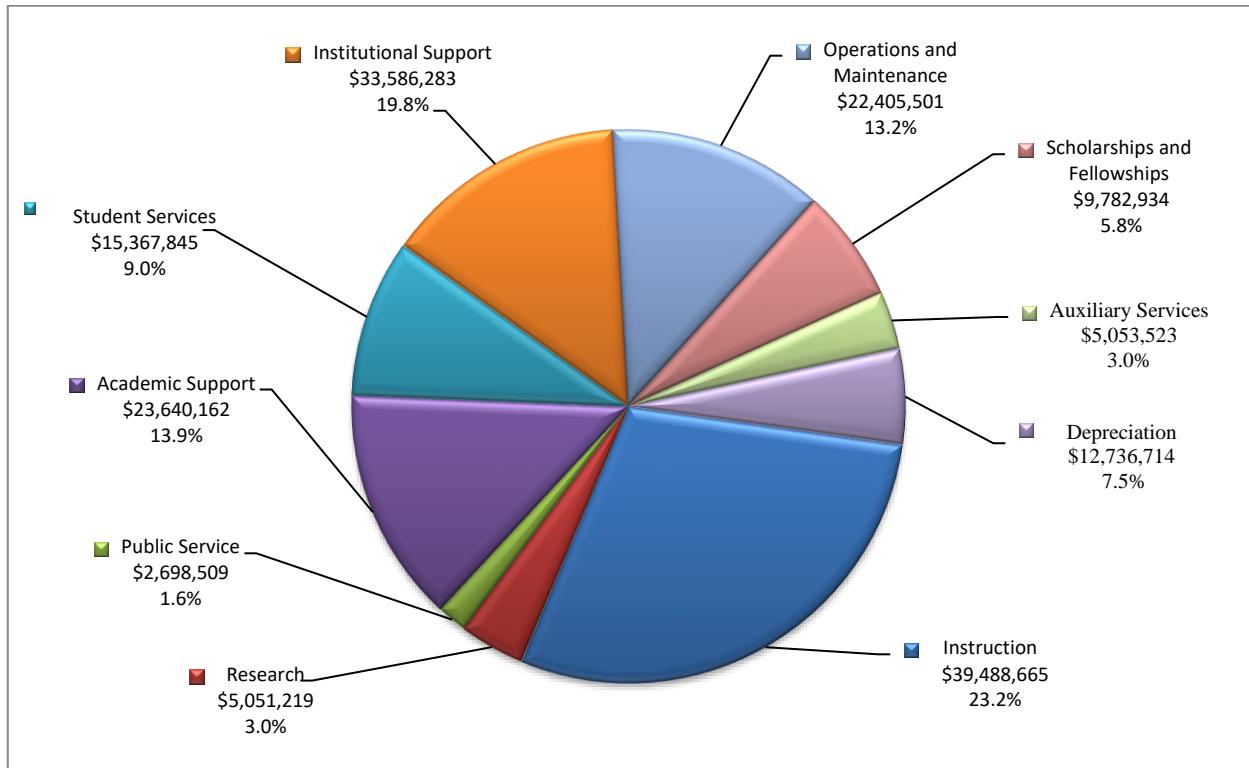
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Management's Discussion and Analysis

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OPERATING EXPENSES BY FUNCTION

\$170 million in FY 2019



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Management's Discussion and Analysis

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Table 3 – Expenses by Function for the Years Ended September 30, 2019 and 2018 (in \$000):

The \$11.3 million or 7.1% increase in expenses by functional activities from FY 2018 to FY 2019 was primarily caused by a \$3.1 million or 14.9% increase in academic support, a \$1.9 million or 13.8% increase in student services, \$8.9 million or 36.2% increase in institutional support and a \$1.4 million or 6.5% increase in operations and maintenance. The increases were offset by a \$4.2 million decrease in instruction expenses.

Expenses by function	FY2019		FY2018		Increase/(Decrease)	
	Amount	Percent of total	Amount	Percent of total	Amount	Percent change
Instruction	\$ 39,489	23.2%	\$ 43,712	27.6%	\$ (4,223)	(9.7)%
Research	5,051	3.0	4,714	3.0%	337	7.2%
Public service	2,698	1.6	2,461	1.6%	237	9.6%
Academic support	23,640	13.9	20,571	13.0%	3,069	14.9%
Student services	15,368	9.0	13,499	8.5%	1,869	13.8%
Institutional support	33,586	19.8	24,666	15.6%	8,920	36.2%
Operations and maintenance	22,405	13.2	21,029	13.3%	1,376	6.5%
Scholarships and fellowships	9,783	5.8	10,110	6.4%	(327)	(3.2)%
Auxiliary services	5,054	3.0	5,074	3.2%	(20)	(0.4)%
Depreciation	12,737	7.5	12,695	8.0%	42	0.3%
	\$ 169,811	100.0%	\$ 158,530	100.0%	\$ 11,281	7.1%

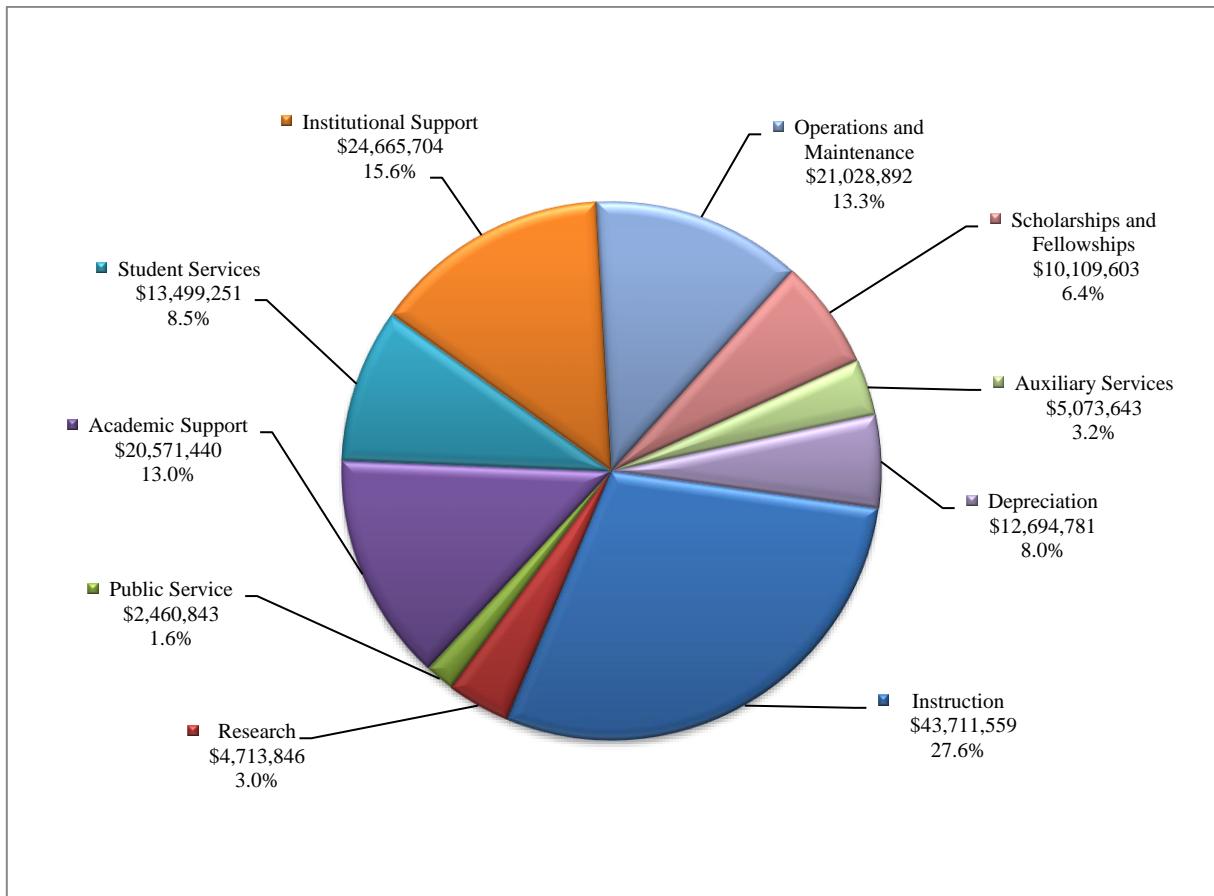
UNIVERSITY OF THE DISTRICT OF COLUMBIA
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Management's Discussion and Analysis

September 30, 2019 and 2018

OPERATING EXPENSES BY FUNCTION

\$159 million in FY 2018



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Management's Discussion and Analysis

September 30, 2019 and 2018

Table 4 – Expenses by Function for the Years Ended September 30, 2018 and 2017 (in \$000):

Expenses by function	FY2018		FY2017		Increase/(Decrease)	
	Amount	Percent of total	Amount	Percent of total	Amount	Percent change
Instruction	\$ 43,712	27.6%	\$ 41,290	29.1%	\$ 2,422	5.9%
Research	4,714	3.0	5,405	3.8%	(691)	(12.8)%
Public service	2,461	1.6	2,477	1.7%	(16)	(0.7)%
Academic support	20,571	13.0	19,506	13.8%	1,065	5.5%
Student services	13,499	8.5	13,095	9.2%	404	3.1%
Institutional support	24,666	15.6	20,203	14.2%	4,463	22.1%
Operations and maintenance	21,029	13.3	17,870	12.6%	3,159	17.7%
Scholarships and fellowships	10,110	6.4	9,345	6.6%	765	8.2%
Auxiliary services	5,074	3.2	4,757	3.4%	317	6.7%
Depreciation	12,695	8.0	7,913	5.6%	4,782	60.4%
	<u>\$ 158,530</u>	<u>100.0%</u>	<u>\$ 141,861</u>	<u>100.0%</u>	<u>\$ 16,669</u>	<u>11.8%</u>

The \$16.7 million or 11.8% increase in expense by functional activities from FY 2017 to FY 2018 was primarily caused by a \$2.4 million or 5.9% increase in instruction, a \$1.1 million or 5.5% increase in academic support, a \$4.5 million or 22.1% increase in institutional support, a \$3.2 million or 17.7% increase in operations and maintenance, a \$.8 million or 8.2% increase in scholarship and fellowship, and a \$4.8 million or 60.4% increase in depreciation.

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Management's Discussion and Analysis

September 30, 2019 and 2018

Enrollment

The University maintains an open admissions policy for its Community College and a rolling admission policy for the Flagship (Van Ness Campus). The undergraduate programs at the University include the Community College and its Flagship. The total official student enrollment for the Fall 2019 and 2018 semesters was 4,433 and 4,500 students, respectively, representing a decrease of 1.5%. In Fall 2019 and 2018, the student body was comprised of 69.0% and 67.7% District residents, 9.5% and 8.9% Metro area residents and 21.5% and 23.4% nonresidents, respectively. In Fall 2019, District students comprised 70.8% of the University's total undergraduate and graduate enrollment. Full time equivalent enrollments were 3,518 for Fall 2019 and 3,568 for Fall 2018.

Total student tuition and fees, net revenues decreased by \$2.0 million or 5.9% from \$33.8 million in FY 2018 to \$31.8 million in FY 2019. Total student tuition and fees, net revenues decreased by \$0.7 million or 1.9% from \$34.4 million in FY 2017 to \$33.8 million in FY 2018.

Capital Improvement Program

The University participates in the District's Capital Improvement Program. Accordingly, the University trustees, the District Council and the Congress of the United States have approved a 6-year capital improvement plan totaling \$70.2 million, for FY 2014 through FY 2019, financed through funding sources provided by the District. The execution of the University's capital improvement plan is contingent upon sufficient funding being received from the District, since the University has no separate long-term borrowing authority.

Factors Impacting Future Periods

There are a number of factors that could impact future financial periods. Many of these factors relate to the sources of the University's funding including the District's appropriation, tuition revenues, grants received, contracts earned, and gifts received. The appropriations from the District provide over 50% of the University's total funding and are therefore a key factor in determining the extent of the programs that the University can offer. Tuition rates are determined pursuant to the University's mission to provide affordable higher education. The level of support that the University is able to obtain from its funding sources determines its ability to maintain or expand programs that meet its mission and ongoing operational needs.

Requests for Information

Management's Discussion and Analysis is designed to provide a general overview of the University's finances. Questions concerning any information provided in this report, or requests for additional financial information, should be addressed to the Office of the Chief Financial Officer, University of the District of Columbia, 4200 Connecticut Avenue NW, Building 39, 2nd floor, Washington, D.C. 20008.

UNIVERSITY OF THE DISTRICT OF COLUMBIA
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Statements of Net Position
As of September 30, 2019 and 2018

	2019	2018
Assets		
Current assets:		
Cash and cash equivalents	\$ 30,368,366	\$ 24,376,757
Accounts receivable, net	7,938,993	7,848,007
Grants and contracts receivable	5,161,684	7,016,069
Receivable from the District of Columbia	3,139,822	5,380,299
Accrued interest receivable	37,837	36,357
Other current assets	145,885	368,360
Total Current Assets	46,792,587	45,025,849
Noncurrent assets:		
Investments	45,706,958	45,361,177
Capital assets, net	212,183,255	210,311,621
Long-term receivables	55,100	107,456
Total Noncurrent Assets	257,945,313	255,780,254
Total Assets	304,737,900	300,806,103
Liabilities		
Current liabilities:		
Accounts payable	9,769,626	7,526,501
Accrued payroll	9,284,341	9,565,962
Litigation contingencies	5,400,000	2,550,000
Compensated absences	4,652,035	4,052,035
Unearned revenues	11,782,905	11,785,959
Due to the District of Columbia	769,747	58,695
Other current liabilities	675,479	1,074,075
Total Liabilities	42,334,133	36,613,227
Net Position		
Net investment in capital assets	212,183,255	210,311,621
Restricted:		
Nonexpendable endowments	7,241,706	7,568,086
Expendable:		
Pre-K enhancement	2,222,934	2,096,530
Unrestricted	40,755,871	44,216,639
Total Net Position	\$ 262,403,766	\$ 264,192,876

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

UNIVERSITY OF THE DISTRICT OF COLUMBIA
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Statements of Revenues, Expenses, and Changes in Net Position
Years Ended September 30, 2019 and 2018

	2019	2018
Revenues		
Operating revenues:		
Student tuition and fees, net	\$ 31,771,097	33,759,220
Federal grants and contracts	12,948,814	13,828,550
Local grants and contracts	5,812,412	5,649,921
Nongovernmental grants and contracts	711,479	319,290
Sales and services of educational departments	242,511	175,785
Auxiliary enterprise:		
Athletics division	57,006	70,137
Cable television	401,858	347,349
Other operating revenues	2,099,857	3,018,267
Total Operating Revenues	54,045,034	57,168,519
Expenses		
Operating expenses:		
Salaries	71,750,350	70,680,918
Benefits	17,164,881	15,944,093
Scholarships and fellowships	16,846,761	17,337,339
Contractual services, supplies and other	36,589,279	26,920,214
Utilities and other	14,723,370	14,952,217
Depreciation	12,736,714	12,694,781
Total Operating Expenses	169,811,355	158,529,562
Operating Loss	(115,766,321)	(101,361,043)
Non-operating revenues (expenses) net:		
District of Columbia appropriations	89,003,491	80,000,000
Investment income (net of investment expenses)	358,377	2,360,382
Gifts for scholarships	1,621,805	1,313,476
Federal non-operating grants	7,840,124	7,495,338
Total Non-operating Revenues (Expenses) Net	98,823,797	91,169,196
Loss before other revenues, expenses, gains, or losses	(16,942,524)	(10,191,847)
Capital appropriations	15,153,414	11,649,275
Change in Net Position	(1,789,110)	1,457,428
Net position		
Net Position, Beginning	264,192,876	262,735,448
Net Position, Ending	\$ 262,403,766	\$ 264,192,876

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

UNIVERSITY OF THE DISTRICT OF COLUMBIA
(A Component Unit of the Government of the District of Columbia)

Statements of Cash Flows
Years Ended September 30, 2019 and 2018

	2019	2018
Cash flows from operating activities:		
Tuition and fees	\$ 31,308,517	\$ 35,836,893
Grants and contracts	22,231,079	18,914,463
Payments to vendors	(48,847,049)	(42,359,902)
Payments to employees	(88,596,851)	(83,532,362)
Other payments	(10,832,197)	(20,705,517)
Net cash used by operating activities	(94,736,501)	(91,846,425)
Cash flows from non-capital financing activities:		
District of Columbia appropriations - operating	89,003,491	80,000,000
Advances from / (Distributions to) the District of Columbia	1,705,029	(2,902,693)
Gifts for scholarships	1,621,805	1,313,475
Direct loan receipts	25,005,666	13,821,133
Direct loan payments	(25,005,666)	(13,821,133)
Federal Pell grant	7,840,124	7,495,338
Net cash provided by noncapital financing activities	100,170,449	85,906,120
Cash flows from capital and related financing activities:		
Purchase of capital assets	(14,608,348)	(12,283,441)
Capital appropriations	15,153,414	11,649,275
Net cash used by capital and related financing activities	545,066	(634,166)
Cash flows from investing activities:		
Proceeds from sales/maturities of long-term investments	18,415,111	7,648,655
Investment income	1,292,580	1,411,323
Investment expense	(383,095)	(580,027)
Purchase of investments	(19,312,001)	(8,357,024)
Net cash provided by investing activities	12,595	122,927
Net change in cash and cash equivalents	5,991,609	(6,451,544)
Cash and cash equivalents, beginning	24,376,757	30,828,301
Cash and cash equivalents, ending	\$ 30,368,365	\$ 24,376,757
Reconciliation of operating loss to net cash provided by operating activities:		
Operating loss	\$ (115,766,321)	\$ (101,361,043)
Adjustments to reconcile operating loss to net cash:		
Depreciation	12,736,714	12,694,781
Effect of changes in non-cash operating assets and liabilities:		
Accounts receivable, net	(90,986)	2,276,696
Grants and contracts receivable	2,389,833	(1,789,063)
Accrued interest receivable	(1,480)	(4,373)
Other current assets	222,475	246,626
Other noncurrent assets	52,356	-
Accounts payable and accrued liabilities	4,811,504	2,145,669
Compensated absences	600,000	267,882
Unearned revenue	(3,054)	706,743
Due to the District of Columbia	711,052	(6,826,247)
Other current liabilities	(398,596)	(204,096)
Net cash used by operating activities	\$ (94,736,501)	\$ (91,846,425)

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

UNIVERSITY OF THE DISTRICT OF COLUMBIA
(A Component Unit of the Government of the District of Columbia)

STATEMENTS OF NET POSITION
As of September 30, 2019 and 2018

	University of the District of Columbia Foundation, Inc.		University of the District of Columbia School of Law Foundation		Total	
ASSETS	2019	2018	2019*	2018	2019	2018
Current assets						
Cash and cash equivalents	\$ 1,659,080	\$ 374,366	\$ 255,661	\$ 150,310	\$ 1,914,741	\$ 524,676
Investments	7,672,775	7,726,160	11,264,381	11,334,796	18,937,156	19,060,956
Other receivables	585,635	1,445,836	83,993	94,444	669,628	1,540,280
Prepaid Expenses	21,876	15,928	4,272	16,272	26,148	32,200
Total Current assets	9,939,366	9,562,290	11,608,307	11,595,822	21,547,673	21,158,112
Noncurrent assets						
Artwork collection	480,492	440,992	-	-	480,492	440,992
Other noncurrent assets	838,638	750,175	-	-	838,638	750,175
Total Noncurrent assets	1,319,130	1,191,167	-	-	1,319,130	1,191,167
Total Assets	\$ 11,258,496	\$ 10,753,457	\$ 11,608,307	\$ 11,595,822	\$ 22,866,803	\$ 22,349,279
LIABILITIES & NET ASSETS						
Current Liabilities						
Accounts payable	\$ 166,302	\$ 21,951	\$ -	\$ -	\$ 166,302	\$ 21,951
Accrued expenses	-	-	105,895	14,700	105,895	14,700
Scholarship payable	-	468,321	-	-	-	468,321
Total Liabilities	166,302	490,272	105,895	14,700	272,197	504,972
Net Assets						
Without Donor Restrictions	1,551,169	1,115,587	1,063,535	969,091	2,614,704	2,084,678
With Donor Restrictions	9,541,025	9,147,598	10,438,877	10,612,031	19,979,902	19,759,629
Total Net Assets	11,092,194	10,263,185	11,502,412	11,581,122	22,594,606	21,844,307
Total Liabilities and Net Assets	\$ 11,258,496	\$ 10,753,457	\$ 11,608,307	\$ 11,595,822	\$ 22,866,803	\$ 22,349,279

* As of June 30, 2019.

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

UNIVERSITY OF THE DISTRICT OF COLUMBIA
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STATEMENTS OF ACTIVITIES
For the Years Ended September 30, 2019 and 2018

	University of the District of Columbia Foundation, Inc.		University of the District of Columbia School of Law Foundation		Total	
	2019	2018	2019*	2018	2019	2018
REVENUE & SUPPORT						
Contributions	\$ 2,038,290	3,269,026	\$ 546,586	\$ 1,727,923	\$ 2,584,876	\$ 4,996,949
Special event revenue	-	38,014	-	-	-	38,014
In-kind revenue	52,744	2,131	-	-	52,744	2,131
Other	-	-	12,269	20,741	12,269	20,741
Grants	-	-	69,000	159,500	69,000	159,500
Interest & dividends	165,098	130,513	152,352	184,574	317,450	315,087
Net realized and unrealized gains on investments	121,907	330,458	368,695	917,364	490,602	1,247,822
Clinic fee award	-	-	-	750	-	750
Total Revenue & Support	2,378,039	3,770,142	1,148,902	3,010,852	3,526,941	6,780,994
EXPENSES						
Program services	654,972	598,367	1,133,634	1,368,670	1,788,606	1,967,037
Scholarship & fellowship	585,821	567,048	-	-	585,821	567,048
Management & general	263,355	203,120	84,721	104,552	348,076	307,672
Fundraising	44,882	76,304	9,257	126,114	54,139	202,418
Total Expenses	1,549,030	1,444,839	1,227,612	1,599,336	2,776,642	3,044,175
Change in Net Assets	829,009	2,325,303	(78,710)	1,411,516	750,299	3,736,819
Net Assets - Beginning of Year	10,263,185	7,937,882	11,581,122	10,169,606	21,844,307	18,107,488
Net Assets - End of Year	\$ 11,092,194	\$ 10,263,185	\$ 11,502,412	\$ 11,581,122	\$ 22,594,606	\$ 21,844,307

* For the Nine months ending June 30, 2019.

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

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Notes to Basic Financial Statements

September 30, 2019 and 2018

(1) Background and History of the University of the District of Columbia

The University of the District of Columbia (the University) traces its roots to 1851 and the Miner Normal School. Land grant status was awarded in 1968. In 1977, the District of Columbia Teachers College, the Federal City College, and the Washington Technical Institute were consolidated into the University of the District of Columbia. The University currently offers over 76 undergraduate and graduate academic degree programs through the College of Arts and Sciences; School of Business and Public Administration; School of Engineering and Applied Sciences; and the David A. Clarke School of Law. In addition, the University offers a variety of practical, nonacademic educational programs and training through the Division of Community Outreach and Extension Services (COES).

The University is governed by a board of trustees consisting of 15 members appointed by the District's Mayor, three members elected by the alumni, and one member elected by the student body.

The University is located on a 21.8 acre site and includes ten buildings (the Van Ness Campus). Jurisdiction was assigned to the University by the United States General Services Administration (GSA) to be utilized for educational purposes. The estimated value of the Van Ness site has not been recorded in the financial statements as it is property of the U.S. Federal government.

In January 2009, the board of trustees approved the creation of a new University System, which now includes the University and the University of the District of Columbia Community College (UDC-CC). Beginning in Fall 2009, UDC-CC served the District of Columbia (the District or DC) residents by integrating workforce preparation, employability skill development, quality education and remediation, economic development and employer linkages, school to career training – providing a seamless transition from K-12 to adult education and literacy to college preparation and continuous lifelong learning. This institution provides new opportunities to DC citizens, employers, the University, and the District of Columbia. UDC-CC is located at 801 N. Capitol Street, NE, Washington, DC 20002.

(2) Summary of Significant Accounting Policies

The financial statements of the University are prepared in conformity with U.S. generally accepted accounting principles (GAAP), as applied to governmental colleges and universities. The Governmental Accounting Standards Board (GASB) is the accepted primary standard-setting body for establishing governmental accounting and financial reporting standards.

The significant accounting policies followed by the University are summarized below:

(a) Financial Reporting Entity

GAAP defines a financial reporting entity as a body that consists of a primary government and its component units. The University is a discretely presented component unit of the District because it meets the following criteria:

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Notes to Basic Financial Statements

September 30, 2019 and 2018

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- the District holds the corporate powers of the University;
- the District appoints a voting majority of the University's board;
- the District is able to impose its will on the University;
- the University has the potential to impose a financial burden on, or provide financial benefit to the District;
- the University is fiscally dependent on the District; and
- it would be misleading to exclude the University from the District's financial statements.

GAAP defines the financial reporting entity as an entity that consists of the primary government, the University of the District of Columbia, and all of its component units. Component units are legally separate organizations which have a fiscal dependency and financial benefit or burden relationship with the primary government and other organizations for which the significance of their relationship with the primary government are such that exclusion would cause the financial statements to be misleading or incomplete.

A complete copy of the audited financial statements for the University of the District of Columbia Foundation, Inc. (the Foundation) and the District of Columbia School of Law Foundation (School of Law Foundation) are available at the Foundation offices located on the campus of the University.

Discretely Presented Component Units

In accordance with GAAP, the Foundation and the School of Law Foundation are legally separate entities and are reported as discretely presented component units in the financial statements based on the nature and significance of their relationship to the University.

The Foundation was incorporated on March 15, 1978, under the District of Columbia's Nonprofit Corporation Act. The purpose of the Foundation is to solicit funds for student scholarships, and to advance and benefit the programs and mission of the University of the District of Columbia. The Foundation is funded primarily from private contributions and investment income.

The School of Law Foundation was established on December 9, 1993. It operates exclusively for the benefit of the University of the District of Columbia David A. Clarke School of Law (the "School of Law") and accepts and holds contributions for the benefit of the School of Law. The School of Law Foundation expects to receive support in the form of contributions from alumni of the School of Law, family and friends of Joseph L. Rauh, members of the legal community and members of the general public. The School of Law Foundation will apply income and principal from contributions for the sole benefit of the School of Law. Specifically, the School of Law Foundation expects to apply contributions to support the School of Law by (1) supporting programs that promote excellence in

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legal education, and (2) providing financial support for the students, faculty, programs, and facilities of the School of Law. The School of Law Foundation has established a separate fund to support the establishment of an endowed chair, the Joseph L. Rauh Chair of Public Interest Law. In the unlikely event that the School of Law (now named the UDC David A. Clarke School of Law) is forced to cease operations, the directors of the School of Law Foundation will use the Rauh Fund to establish a Joseph L. Rauh Chair of Public Interest Law at another law school pursuant to the by-laws of the Foundation.

(b) Measurement Focus and Basis of Accounting

Measurement focus refers to what is being measured; basis of accounting refers to when revenues and expenses are recognized in the accounts and reported in the financial statements. Thus, the accounting and financial reporting treatment applied to a fund or activity is determined by its measurement focus and basis of accounting. The University follows GASB standards of accounting and financial reporting.

Financial statements of the component units of the University are presented in accordance with GAAP prescribed by the Financial Accounting Standards Board (FASB). As such, certain revenue recognition criteria and presentation features are different from GASB revenue recognition criteria and presentation features. No modifications have been made to the component units' financial information in the University's financial reporting entity for these differences.

Revenue from government and private grant and contract agreements are recognized as it is earned when expenses are incurred in accordance with the agreements. Any funding received in advance of expenses is recorded as unearned revenue on the statement of net position.

The University is considered to be a special-purpose government engaged only in business-type activities and follows the business-type activities reporting requirements of GAAP which provides a comprehensive look at the University's financial activities and requires that resources be classified for accounting and reporting purposes into three net position categories depending on the presence or absence of externally imposed restrictions. Accordingly, the accompanying comparative financial statements of the University have been prepared using the economic resources measurement focus and the accrual basis of accounting. With this measurement focus, all assets and all liabilities are included in the statement of net position. Net position of the University is segregated into three net position categories depending on the presence or absence of externally imposed restrictions as follows:

Net investment in capital assets – Consists of capital assets, net of accumulated depreciation and outstanding principal balances of debt attributable to the acquisition, construction, or improvement of those assets. As of September 30, 2019, and 2018, the University had no debt outstanding.

Restricted – Consists of net position restricted for nonexpendable and instructional endowments, which are subject to externally imposed stipulations that the University maintains them permanently. Expendable restricted net position includes restricted expendable net position, the use of which is subject to externally imposed stipulations that can be fulfilled by actions of the University pursuant to those stipulations or that expire by the passage of time.

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Unrestricted – Consists of net position that is not subject to externally imposed stipulations. Unrestricted net position may be designated for specific purposes by action of the board of trustees or may otherwise be limited by contractual agreements with outside parties.

Under the accrual basis of accounting, revenues are recognized when earned, and expenses are recorded when an obligation is incurred.

(c) Application of Accounting Standards

The accompanying financial statements are presented in accordance with GAAP as prescribed by GASB.

Based on the explanations previously provided, when both restricted and unrestricted resources are available for use, the University's policy is to use restricted resources first, and then unrestricted resources, as they are needed.

(d) Services Provided by/to the District

The District provides certain central administrative services and pays disability and unemployment benefits on behalf of the University's employees. The University reimburses the District for a portion of the administrative costs based on a formula derived by the District; this is recorded as due to the District of Columbia. The University receives maintenance, administrative services, and leasing arrangements through other District agencies. The charges for such interagency services are included as expenses in the basic financial statements.

Amounts owed to the University relating to the capital appropriations from the District and services provided by the University, for grants and contracts are recorded as receivables from the District of Columbia.

(e) Fund Accounting

For the purposes of financial reporting, the University is considered a single enterprise fund. However, for internal accounting purposes, and to ensure observance of limitations and restrictions placed on the use of the resources available to the University, accounts are maintained in accordance with the principles of fund accounting. Fund accounting principles require classifying resources for accounting purposes into funds that are in accordance with specified activities or objectives.

(f) Current and Noncurrent Classifications

Current assets are used to designate cash and other assets, or resources commonly identified as those which are reasonably expected to be realized in cash or consumed during a normal operating business cycle which is usually one year or less. Current liabilities are defined as obligations whose liquidation is reasonably expected to require the use of existing resources properly classifiable as current assets, or the creation of other current liabilities.

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(g) *Operating and Non-operating Revenues and Expenses*

Operating revenues and expenses are generally associated with those activities that relate directly to the core activities of instruction, research, and public service that form the essence of the University's mission (e.g. tuition and fees, Federal and private grants and contracts, auxiliary income). Included in non-operating revenues are District appropriations, investment and endowment income and gifts for scholarships. GAAP specifically define the District's appropriations as non-operating revenues. Expenses are recognized as incurred.

(h) *Cash and Cash Equivalents*

For purposes of reporting cash flows, cash and cash equivalents are defined as cash-on-hand, demand deposits, certificates of deposit with financial institutions, and all highly liquid investments with an original maturity of three months or less; except those deposits and investments representing endowments.

(i) *Receivables*

Receivables relate to transactions involving student tuition and fees, student loans, and grants and contracts net of an allowance for doubtful account. An allowance for doubtful accounts is provided based upon management's judgment including such factors as previous collection history and characterization of the respective receivables. Receivables have also been recognized for students registered and billed for semesters to be held subsequent to year end. Since the revenue recognition criteria has not been met in this instance, a corresponding amount is recognized as unearned revenue.

(j) *Investments*

Fair value is established as readily determinable current market value for equities and other debt securities. The fair value of the University's investments in limited partnerships is based on management's valuation of estimates and assumptions from information and representations provided by the respective general partners, in the absence of readily ascertainable market values. The University uses net asset value per share as a basis for determining fair value for limited partnerships. Unrealized and realized gains and losses are included in investment income in the statements of revenues, expenses and changes in net position. For the year ended September 30, 2019, in accordance with GAAP and as prescribed by FASB, the University displayed investment income net of investment expenses and retrospectively applied to FY 2018 amounts for comparative reporting purposes.

(k) *Capital Assets and Depreciation*

Land, buildings, furniture, fixtures, and equipment are stated at cost at the date of acquisition, estimated historical cost (if actual cost records are not available) or fair market value at the date of donation in the case of gifts. The University capitalizes equipment that has a fair market value or cost of \$5,000 or more at the date of acquisition and an expected useful life of three (3) or more years. When assets are sold or otherwise disposed of, the asset and related accumulated depreciation are removed from the accounts, and any remaining gain or loss is included in operations. Repairs and

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maintenance are expensed when incurred. Capital assets are depreciated or amortized using the straight-line method over the estimated useful lives of the assets.

A summary of useful lives is presented in Table 1 below:

Table 1 – Estimated Useful Lives (by Asset Category)

Category	Depreciation/amortization period
Buildings	50 years
Building improvements	Remaining Life of the Building
Land improvements	20 years
Leasehold improvements	Lesser of lease term or 10 years
Computers and equipment	5 years

(l) Compensated Absences

Benefit Accumulation Policies

The University's policy allows employees to accumulate unused sick leave, with no maximum limitation. Generally, administrative and other non-faculty employees may carry over a maximum of 240 hours of annual leave beyond December 31 of each calendar year. Carryover of annual leave in excess of 240 hours is permitted with the approval of appropriate University officials. The accrued annual leave balance is payable to administrative and other non-faculty employees upon termination of employment.

In accordance with the provisions of the District of Columbia Municipal Regulations (DCMR), Title 8, when an administrative or faculty University employee retires at sixty (60) years of age or older, or upon total disability or death, the employee or the deceased's estate is entitled to receive a lump sum payment equal to ten percent (10%) of the unused accumulated sick leave computed at the employee's current base rate of pay.

The University reports a liability for compensated absences that is strictly limited to leave that:

- is attributable to services already rendered; and
- is not contingent on a specific event (such as illness) that is outside the control of the employer and employee, except as noted below:

As a matter of University policy, the University is liable for 10% of unused accumulated sick leave upon retirement of eligible employees as described above. This policy eliminates the contingency on a future event outside the control of both the employer and employee. Consequently, the University recognized the sick leave liability for this category of employees using the vesting method to measure such liability.

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Other than as noted above, the University does not record a liability for accumulated rights to receive sick pay benefits. At the time of retirement, unused sick leave can be used to determine employees' years of service. One month would be added to the years and months of service of employees who have accumulated 22 days of sick leave in the Civil Service Retirement System and in the District Retirement Program. Expenses for such sick leave are not accrued because it is considered in connection with calculating pension cost.

Administrative and other non-faculty University employees earn annual and sick leave during the year at varying accrual rates, depending on the employee's classification and years of service.

The University records annual leave as an expense and related liability as the benefit accrues to employees. Also, accumulated annual leave of the employees of the University is recorded as an expense and liability as the benefit accrues to employees based on salary rates and accumulated leave hours.

(m) Unearned Revenues

Tuition and fee revenues, as well as program revenues are shown as unearned revenues when related to future financial periods because the earning process has not been completed. Tuition and fees revenues are proportionately earned in the academic semester to which they relate. Tuition and fees related to the portion of the academic semester falling after the fiscal year end are reported as unearned revenues. The University records grant revenue and a receivable for intergovernmental grants to the extent that costs have been incurred in accordance with the terms of the grant agreements. Indirect costs recovered are based on predetermined rates by type of expense.

(n) Income Tax Status

As an independent agency of the District, the University is exempt from Federal income taxes. Accordingly, no provision for income taxes has been made. However, the University is subject to federal income taxes on net unrelated business income, if any, under the provisions of Section 511 of the Internal Revenue Code. The University did not have any unrelated business income subject to income tax for the years ended September 30, 2019 and 2018.

(o) Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities and disclosure of contingent assets and liabilities at the date of the financial statements. Estimates and assumptions may also affect the reported amounts of revenues and expenses during the reporting period. Actual results may differ from management's estimates.

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(p) Scholarship Allowances

A scholarship allowance is the difference between the stated charge for goods and services provided by the University and the amount that is paid by the student or by third parties making payments on behalf of the student. Accordingly, some of the student financial aid and scholarships awarded by the University are considered to be scholarship allowances. Tuition and fees revenue in the statements of revenues, expenses, and changes in net position is reflected net of these allowances.

(q) Other Post-Employment Benefits

In addition to the pension benefits described in Note 7, employees may receive post-retirement health care and life insurance benefits. Employees eligible for such benefits include 18 pre-1987 (Civil Service) and 33 post-1987 (DC Defined Contribution) employees. The cost of providing such benefits to employees hired on or prior to September 30, 1987 is borne by the U.S. Federal government and the University has no liability for this cost. Pursuant to the D.C. Code 1-621, employees hired on or after October 1, 1987, who subsequently retire may be eligible to continue their health care benefits. Furthermore, in accordance with D.C. Code 1-622, these employees may convert their group life insurance to individual life insurance. The University bears responsibility for the cost relating to employees hired on or after October 1, 1987. The University's portion of post-employment benefits actuarial liability is not separately determined from the District's. The entire liability is recorded on the books of the District; therefore, the University does not record a liability for the costs of post-retirement benefits but records such costs as expenses/expenditures when premiums are paid.

For employees hired after October 1, 1987, the University pays 75% of the cost of health insurance, for eligible retirees, their spouse and dependent(s). In addition, the University pays 33% of the cost of life insurance depending on the election coverage for eligible retirees. The University has recognized \$83,440 and \$89,675 for post-retirement health premiums paid during FY 2019 and 2018, respectively. Six (6) and seven (7) retirees received post-retirement health benefits during fiscal years ended September 30, 2019 and 2018, respectively. The District, which is legally responsible for the contributions to OPEB plans, conducted an actuarial study of its obligations under the Plan.

(r) New Accounting Pronouncements to be Implemented in the Future

In January 2017, GASB issued Statement No.84, *Fiduciary Activities*. The objective of GASB No. 84 is improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. GASB No. 84 is effective for periods beginning after December 15, 2018. In June 2017, GASB issued Statement No. 87, *Leases*. The objective of GASB No. 87 is to improve the accounting and financial reporting for leases by requiring recognition of certain lease assets and liabilities for leases that were previously classified as operating leases. GASB No. 87 establishes a single model for lease accounting based on the principle that leases are financings of the right to use an asset. GASB No. 87 is effective for reporting periods beginning after December 15, 2020, the University's fiscal year 2022. The University is currently evaluating the impact of adopting GASB No. 84 and 87 on its financial statements and disclosures.

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September 30, 2019 and 2018

(s) Subsequent Events

The University evaluated the subsequent events and transactions through December 26, 2019, the date these financial statements were available for issue, and have determined that no material subsequent events have occurred that would affect the information presented in the accompanying financial statements or require additional disclosure, except as disclosed above.

(3) Cash and Cash Equivalents

The District requires that all cash be deposited with the District Treasurer except for endowment and miscellaneous income funds which are deposited in a postsecondary education fund bank account. However, the University is allowed to maintain funds generated from its own operations in separate bank accounts. The majority of payments are processed centrally by the District.

The University's Postsecondary Education Fund bank account is the depository account for all gifts and contributions, funds for receipt of services rendered, institutional fees, fines and collections including tuition, and all other monies made available to the University, other than the funds included in the annual operating, capital and educational improvement funds appropriated by Congress. These funds are administered by the University's Board of Trustees to supplement the University's appropriation. Restricted cash represents cash held as state restricted funds.

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Notes to Basic Financial Statements

September 30, 2019 and 2018

The University's cash and cash equivalents as of September 30, 2019 and 2018, are reflected in Table 2:

Table 2 – Unrestricted and restricted cash and cash equivalents as of September 30, 2019 and 2018:

	2019	2018
Cash and cash equivalents:		
Unrestricted:		
Wells Fargo	\$ 24,149,731	\$ 18,267,793
Stifel	3,793,923	3,810,708
FVC Bank	100,848	100,844
Industrial Bank	100,930	100,855
Petty Cash	—	27
Subtotal unrestricted	28,145,432	22,280,227
Restricted for Pre-K enhancement:		
Wells Fargo	2,222,934	2,096,530
Total cash and cash equivalents	\$ 30,368,366	\$ 24,376,757

The University's cash and cash equivalents, which consists of the following as of September 30, 2019 and 2018, are reflected in Table 3:

Table 3 – Summary of cash and cash equivalents as of September 30, 2019 and 2018:

	2019	2018
Cash and demand deposits:		
Wells Fargo	\$ 26,372,665	\$ 20,364,323
Stifel	3,793,923	3,810,708
Petty Cash	—	27
Subtotal cash and demand deposits	30,166,588	24,175,058
Certificates of deposit:		
FVC Bank (<i>previously known as Columbo Bank</i>)	100,848	100,844
Industrial Bank	100,930	100,855
Subtotal certificates of deposit	201,778	201,699
Total cash and cash equivalents	\$ 30,368,366	\$ 24,376,757

As of September 30, 2019, and 2018, the bank balances of cash on deposit were \$31,798,352 and \$25,523,388 respectively with reconciling differences primarily related to outstanding checks. The FDIC standard deposit insurance amount is \$250,000 per depositor, per insured bank. Currently, the Wells Fargo account has a balance that exceeds the insured amount, by \$27,552,651 and is collateralized by the District or by its agent in the District's name. The Stifel account balance of \$3,793,923 consists of cash held as investments which are normally in money market products, therefore do not require collateralization.

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(4) Receivables and Revenues Adjustments

The student tuition and fees revenue of \$31,771,097 and \$33,759,220 are net of scholarships and discounts of \$1,440,922 and \$1,505,246 in FY 2019 and 2018, respectively.

The University's receivable balances as of September 30, 2019 and 2018 are reflected in Table 4:

Table 4 – Receivable balances as of September 30, 2019 and 2018:

	2019		
	Receivable	Allowance	Net
Accounts receivable	\$ 10,417,458	\$ (2,478,465)	\$ 7,938,993
Grants receivable	5,161,684	—	5,161,684
	2018		
	Receivable	Allowance	Net
Accounts receivable	\$ 10,709,972	\$ (2,861,965)	\$ 7,848,007
Grants receivable	7,016,069	—	7,016,069

(5) Investments

Investments held by Stifel as of September 30, 2019 and 2018 were approximately \$49.5 million and \$49.2 million, respectively.

(a) Investments Authorized

The purpose of the University of the District of Columbia Endowment Policy is to provide direction for the investment, expenditure and management of the University of the District of Columbia's (UDC) endowment funds, consistent with the best interest of the University and the philosophy and practices of the Chief Financial Officer of the District of Columbia. The University's endowment fund includes land grant funds appropriated by Congress under the First Morrill Act (P.L. 90-354); gifts, bequests, and other funds directed to be held to support the University program/activities; and funds assigned by the Board of Trustees to function as an endowment. Endowment funds are to be used to support the mission of the University.

The policy applies to all endowment funds of the University, which consist of the following:

UDC Land Grant Fund: Pursuant to the First Morrill Act of 1862, each eligible state received a total of 30,000 acres of federal land to be used toward establishing and funding educational institutions. Federal City College (FCC), one of the University's predecessor institutions, was considered a land-grant college, and in lieu of the donation of public lands for the endowment, FCC received \$7,241,706. Fund restrictions are as follows: (i) The capital shall remain forever undiminished; (ii) No portion of the fund, including interest, may be applied to the purchase, construction, preservation or repair of any

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building or buildings; (iii) all expenses of management and taxes shall be paid by the District. The UDC Land Grant Fund shall not be co-invested with any other UDC endowment funds.

Post-Secondary Education Fund: Contributions and gifts received by the University and funds in receipt for services. The fund also includes the proceeds from the sale of the University's radio station, WDCU. Other sources of funds donated to the university for Endowment purposes will be consolidated into this Fund unless designated as restricted by the donor. The Post-Secondary Education Fund is an unrestricted fund.

(b) Asset Allocation / Exposures

It is a fundamental policy of the CFO or CFO's designee that the investment portfolios of the University's endowment funds should be diversified to reduce the risk of undue exposure to any one sector or security. The asset allocation is based upon the underlying investment strategy of the manager and not the structure of the investment vehicle. Accordingly, endowment funds must be allocated with the following parameters approved by the CFO or CFO's designee:

ASSET CLASS	ALLOCATIONS		
	Minimum	Target	Maximum
Cash + Short Bonds	0%	8%	20%
Developed Government Bonds	0%	9%	20%
Investment Grade Bonds	0%	4%	20%
High Yield + Emerging Market Bonds	0%	8%	25%
Developed Market Equities	20%	38%	45%
Emerging Market Equities	5%	10%	15%
Commodities	0%	5%	10%
Real Estate	0%	4%	15%
Alternative Trading Strategies	0%	14%	30%

Exceptions outside of any minimum or maximum range, due potentially to market conditions or other considerations, will be assessed by the CFO or the CFO's designee and a written justification will be provided regarding the allocation.

(c) Interest Rate Risk

The University is exposed to interest rate risk on its fixed income bonds held. Interest rate risk is measured by the average duration for which bonds are held. The Investment Policy Statement states that fixed income investments must be readily marketable and may not include illiquid securities. Interest rate risk is managed by the investment managers. They have discretion within their portfolios to determine the duration position that best maximizes the performance.

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(d) Credit Risk

Credit risk is the risk that an issuer or other counter party to an investment will not fulfill its obligations. The University invests in obligations of corporations, government notes and bonds, government agency securities and money market instruments. The University is exposed to credit risk on its fixed income holdings.

Credit risk is measured by the average quality of the fixed income securities held, which at the end of the University's fiscal year ranged from AAA to nonrated issues. The Investment Policy Statement targets an exposure to developed government bonds of 9% (maximum: 20%), to investment grade bonds of 4% (maximum: 20%), and high yield/emerging markets bonds of 8% (maximum: 25%). On September 30, 2019, the actual exposure to each of these asset classes was 5.8%, 5.8% and 4.8% respectively.

(e) Custodial Credit Risk

Custodial credit risk is the risk that, in the event of the failure of the counter party, the University would not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Investment securities are exposed to custodial risk if the securities are uninsured, are not registered in the name of the University, and are held by either (a) the counter party or (b) the counter party's trust department or agent but not in the University's name. The University had no custodial credit risk exposure during the fiscal years ended September 30, 2019 and 2018.

(f) Derivative and Alternative Investments

The University's investment portfolio does not include any outright purchase of derivatives. Some derivatives exposure exists within the investment portfolio; however, the derivative position is managed by the investment manager and not the District staff. The Investment Policy Statement authorizes that no more than 30% of the total market value of the endowment may be invested in the alternative asset class. The target exposure is 14%. As of September 30, 2019, 6.5% was invested in alternative strategies.

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Table 5 – Summary of University Investments as of September 30, 2019 and 2018:

Asset Classes	Fair Market Value	
	2019	2018
Cash & Short Maturity Bonds	\$ 3,793,923	\$ 3,810,708
Developed Government Bonds	2,866,539	2,886,054
Investment Grade Bonds	2,866,539	1,924,036
High Yield & Emerging Market Bonds	2,376,621	2,315,176
Developed Markets Equities	26,067,013	26,633,082
Emerging Markets Equities	3,596,753	3,652,157
Commodities	1,956,243	2,167,629
Real Estate	2,791,782	2,237,786
Alternatives Trading Strategies	3,223,305	3,581,614
Total	\$ 49,538,718	\$ 49,208,242

Included in the above investment balances as of September 30, 2019 and 2018, is cash and cash equivalents of \$3,793,923 and of \$3,810,708 respectively.

	2019	2018
Cash and Cash Equivalents	\$ 3,793,923	\$ 3,810,708
Accrued Interest Receivable	37,837	36,357
Investments	45,706,958	45,361,177
	\$ 49,538,718	\$ 49,208,242

(g) Fair Value Measurements

Accounting principles generally accepted in the United States requires the definition of fair value for financial reporting by establishing a framework for measuring fair value, and requires additional disclosures about the use of fair value measurements. The three-level valuation hierarchy for disclosure of fair value measurements is based upon the transparency of inputs to the valuation of an asset or liability as of the measurement date. The three levels are defined as follows:

- Level 1 – observable market inputs that are unadjusted quoted prices for identical assets or liabilities in active markets that a government can access at the measurement date.
- Level 2 – inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly (for example, quoted prices for similar assets or liabilities in active markets).

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- Level 3 – unobservable inputs (including the University's own assumptions in determining the fair value of investments).

An asset or a liability categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement. The following tables present the University's assets measured at fair value on a recurring basis as of September 30, 2019 and 2018, (in dollars).

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The University's assets measured at fair value on a recurring basis as of September 30, 2019:

	September 30, 2019	Fair Value Measurement Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments by fair value level				
Equity securities				
Developed markets equities	\$ 18,733,841	\$ 18,733,841	\$ -	\$ -
Emerging markets equities	2,052,360	2,052,360	-	-
Real estate equities	2,791,782	2,791,782	-	-
Total equity securities	<u>23,577,983</u>	<u>23,577,983</u>	<u>-</u>	<u>-</u>
Fixed income securities				
Developed government bonds	2,847,671	2,847,671	-	-
High yield and emerging markets bonds	1,179,137	1,179,137	-	-
Investment grade bonds	2,847,671	2,847,671	-	-
Total fixed income securities	<u>6,874,479</u>	<u>6,874,479</u>	<u>-</u>	<u>-</u>
Mutual Funds				
High yield and emerging markets bonds funds	1,197,484	1,197,484	-	-
Total mutual funds	<u>1,197,484</u>	<u>1,197,484</u>	<u>-</u>	<u>-</u>
Commodities funds				
Total investments by fair value level	<u>33,606,189</u>	<u>\$ 31,649,946</u>	<u>\$ -</u>	<u>\$ 1,956,243</u>
Investments measured at the net asset value (NAV)				
Long-only international equity:				
International growth private market fund	3,725,712			
International value private market fund	3,607,359			
Emerging markets private fund	1,544,393			
Alternative investments:				
Fixed income long/short hedge fund	80,892			
Multi-strategy hedge fund	1,195,074			
Private debt fund	938,131			
Real estate private equity	1,009,208			
Total investment measured at the NAV	<u>12,100,769</u>			
Total investment measured at fair value	<u>\$ 45,706,958</u>			

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The University's assets measured at fair value on a recurring basis as of September 30, 2018:

		Fair Value Measurement Using		
	September 30, 2018	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments by fair value level				
Equity securities				
Developed markets equities	\$ 18,935,900	\$ 18,935,900	\$ -	\$ -
Emerging markets equities	2,089,024	2,089,024	-	-
Real estate equities	2,237,786	2,237,786	-	-
Total equity securities	<u>23,262,710</u>	<u>23,262,710</u>	<u>-</u>	<u>-</u>
Fixed income securities				
Developed government bonds	2,867,302	2,867,302	-	-
High yield and emerging markets bonds	1,165,498	1,165,498	-	-
Investment grade bonds	1,911,535	1,911,535	-	-
Total fixed income securities	<u>5,944,335</u>	<u>5,944,335</u>	<u>-</u>	<u>-</u>
Mutual Funds				
High yield and emerging markets bonds funds	1,144,575	1,144,575	-	-
Total mutual funds	<u>1,144,575</u>	<u>1,144,575</u>	<u>-</u>	<u>-</u>
Commodities funds				
Total investments by fair value level	<u>2,167,629</u>	<u>-</u>	<u>-</u>	<u>2,167,629</u>
Total investments by fair value level	<u>32,519,249.0</u>	<u>\$ 30,351,620</u>	<u>\$ -</u>	<u>\$ 2,167,629</u>
Investments measured at the net asset value (NAV)				
Long-only international equity:				
Developed markets private fund	3,974,205			
Other private fund	3,722,977			
Emerging markets private fund	1,563,133			
Alternative investments:				
Fixed income long/short hedge fund	1,626,035			
Multi-strategy hedge fund	1,167,937			
Private debt fund	787,641			
Total investment measured at the NAV	<u>12,841,928</u>			
Total investment measured at fair value	<u>\$ 45,361,177</u>			

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Equity Securities: This investment category consists of common stock and preferred stock issued by both U.S. and international corporations. In addition, it includes common stock for real estate corporations both in the commercial and residential sectors. Developed market equities are mainly public companies in developed markets as defined by their inclusion in the MSCI World Index. Emerging market equities are mainly public companies in emerging markets as defined by their inclusion in the MSCI Emerging Markets Index. Common stocks and preferred stock are traded actively on exchanges and price quotes for these shares are readily available. These assets are classified in level 1 of the fair value hierarchy.

Fixed Income Securities: This investment category consists of U.S. Treasuries, U.S. Government bonds, asset backed securities, corporate bonds and municipal bonds. Developed government bonds are fixed income instruments with maturities longer than three years, issued by developed sovereigns and government related agencies which include U.S. government bonds, U.S. municipal bonds and non-U.S. government bonds. Investment grade bonds are fixed income securities issued by corporations in developed markets with credit ratings of BBB- or better. High yield and emerging markets bonds represent fixed income securities issued by corporations with credit ratings of BB+ or lower, emerging markets sovereigns and government related agencies, and emerging markets corporations. These assets are valued based on obtaining market pricing and other observable market inputs for similar securities from a number of industry standard data providers or a broker quote in a non-active market. These assets are classified as level 1 investments.

Mutual Funds: This investment category consists of open-ended mutual funds that are registered with the Securities and Exchange Commission. The mutual funds are invested in high yield and emerging markets bonds represent fixed income securities issued by corporations with credit ratings of BB+ or lower, emerging markets sovereigns and government related agencies, and emerging markets corporations. These mutual funds publish a daily NAV and transact at that price. The mutual funds held are deemed to be actively traded and support classification of the fair value measurement as Level 1 in the fair value hierarchy.

Commodities Fund: The investment objectives of the fund are to provide a partial price hedge with an attractive risk/return profile, as compared to other products using a commodity index or a pool of commodities. Partial or complete redemption may be made, upon five (5) days' prior written notice, on the last business day of each calendar month or at such times and on such terms as the General Partner of the fund may, in his/her sole discretion, allow. The valuation techniques and inputs categorization within the valuation hierarchy is based upon Level 3; and uses the income approach, where the advisor considers a list of factors to determine whether there has been significant decrease in the relation to normal market activity.

Investments Measured at the Net Asset Value (NAV)

These investments category consists of seven funds that include hedge funds and other funds/products that employ dynamic trading strategies aiming at achieving absolute returns. These alternative investment funds are organized as limited partnerships that are not traded on an exchange and these funds that do not redeem shares on a daily basis. The funds have varying restrictions on liquidity and transferability. The fair values of the investments in this type have been determined using the NAV per share of the investments. The funds have varying redemption restrictions such as lock ups or gates. A lock-up period

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is a window of time when investors of a closely held investment vehicle, are not allowed to redeem or sell shares. A gate is a restriction placed on a fund limiting the amount of withdrawals from the fund during a redemption period. These investments have redemption frequency that range from monthly to quarterly and a redemption notice period that ranges from 5 to 90 calendar days. The details of the funds are as follows:

September 30, 2019:

Investments	Fair Value	Unfunded Commitments	Redemption Frequency (If Currently Eligible)	Redemption Notice Period
Multi-strategy hedge fund ⁵	\$ 1,195,074	-	Quarterly	90 days
Private debt hedge fund ⁶	938,131	-	Quarterly	90 days
Emerging markets private fund ³	1,544,393	-	Monthly	30 days
Fixed income long/short hedge fund ⁴	80,892	-	Monthly	60 days
Real estate private equity ⁷	1,009,208	-	Monthly	7 days
International growth private market fund ¹	3,725,712	-	Monthly	5 days
Internation value private market fund ²	3,607,359	-	Monthly	5 days
	<u>\$ 12,100,769</u>			

September 30, 2018:

Investments	Fair Value	Unfunded Commitments	Redemption Frequency (If Currently Eligible)	Redemption Notice Period
Multi-strategy hedge fund ⁵	\$ 1,167,937	-	Quarterly	90 days
Private debt hedge fund ⁶	787,641	-	Quarterly	90 days
Emerging markets private fund ³	1,563,133	-	Monthly	30 days
Fixed income long/short hedge fund ⁴	1,626,035	-	Monthly	60 days
International growth private market fund ¹	3,974,205	-	Monthly	5 days
Internation value private market fund ²	3,722,977	-	Monthly	5 days
	<u>\$ 12,841,928</u>			

1. International growth private market fund: The fund is designed to pursue long-term capital appreciation by investing in high-quality, attractively valued, non-U.S. growth companies of all market capitalizations. Their investment process is based on a highly analytical research-driven process and builds portfolios from the bottom-up. The strategy invests primarily in developed markets, but also may invest up to 20% of the Fund's net assets at market value, at the time of purchase, in emerging markets. Currency hedging is used for defensive purposes and are only used under certain conditions.
2. International value private market fund: This fund seeks to invest in undervalued companies that are generating high returns on capital, are financially strong and are managed by people who are working to build value over time. The investment team seeks to invest in companies with histories of generating strong free cash flow, improving returns on capital and strong competitive positions in their industries. This criteria helps rule out businesses that are statistically cheap, but whose values are deteriorating over time. The team believes that investing in companies with strong balance sheets helps to reduce the

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potential for capital risk and provides company management the ability to build value when attractive opportunities are available.

3. Emerging markets private fund: This fund approach to investing in emerging markets is a combination of rigorous fundamental stock selection with a top-down macro framework. The fund invests in a diversified portfolio of equities that have sound prospects for sustainable growth and represent value in the form of assets and earnings. The fund seeks to take advantage of the multiple market inefficiencies derived from insufficient discounting of geopolitical and macro factors, a relative lack of research in the emerging market space, and the impact of behavioral biases that cause asset prices to diverge from their intrinsic value.
4. Fixed income long/short hedge fund: The Fund employs a long/short corporate credit approach focusing on US companies. The Fund primarily invests in liquid short-dated corporate bonds, with a core focus on callable securities and credit default swaps, the combination of relative value positions with outright long or short credit holdings will typically produce a low duration and diversified portfolio. The Fund utilizes fundamental analysis to seek alpha opportunities primarily in short duration callable bonds, particularly in the “crossover seam” between high yield and investment grade. Portfolio construction is performed with strict constraints on sector and industry exposure and the portfolio seeks to be as close to credit risk and market risk neutrality as possible.
5. Multi-strategy hedge fund: This is a multi-strategy fund whose objectives include long-term outperformance of the Standard & Poor’s 500 Index (“S&P 500”), low volatility relative to the S&P 500, low correlation to public equity and debt markets, and minimal draw-downs. Redemption of any investment may not be made less than six months after the date on which such investment was made (the “Lock-Up Period”), subject to waiver by the fund’s General Partner in its sole discretion. Following the Lock-Up Period, generally, investors may make redemptions as of the last business day of any fiscal quarter upon proper written notice as noted in the table above. The fair value of the investment in this fund is determined using the NAV per share (or its equivalent) of the investment.
6. Private debt hedge fund: The Fund operates as a closed-end comingled hedge fund and invest primarily in a portfolio of first lien senior secured loans to North American middle market companies. The Fund may also invest invested in mezzanine, second lien, distressed and other securities or instruments, including securities or instruments of non-North American companies.
7. Real estate private equity: The Trust is a non-exchange traded, perpetual life real estate investment trust that acquires primarily stabilized income-oriented commercial real estate in the United States and, to a lesser extent, real estate-related securities. The objective is to bring Blackstone’s leading real estate investment platform with an institutional fee structure and monthly liquidity features to individual investors. There is no public trading market for the stocks, and the repurchase of shares is likely the only way to dispose of the shares which is unguaranteed. The purchase and repurchase price are generally based on the prior month’s net asset value (“NAV”) (subject to material changes) and are not based on any public trading market. Underlying properties will annually be independently appraised; however, the appraisal of properties is inherently subjective, and the NAV may not accurately reflect the actual price at which our properties could be liquidated on any given day.

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(6) Capital Assets

Capital Assets activity for the year ended September 30, 2019, is summarized in Table 6 below:

Table 6 – Capital assets activity for the year ended September 30, 2019:

	Balance at September 30, 2018	Current Year FY 18 Additions	Dispositions/ Adjustments	CIP Transfers	Balance at September 30, 2019
Capital assets subject to depreciation:					
121115 Furniture and fixtures	\$ 377,872	\$ 75,679	\$ -	\$ 27,640	\$ 481,191
121120 Equipment & Machinery	11,158,513	1,408,599	(871,442)	315,016	12,010,686
121121 Vehicles	-	131,364	-	-	131,364
121110 Library books	15,000	-	-	-	15,000
121105 Buildings and improvements	320,063,508	-	-	4,188,307	324,251,815
121125 Land Improvement	13,532,080	-	-	333,708	13,865,788
Total historic cost	345,146,973	1,615,642	(871,442)	4,864,671	350,755,844
Less accumulated depreciation	(148,909,682)	(13,608,156)	871,442	-	(161,646,396)
Subtotal, depreciable capital assets, net	196,237,291	(11,992,514)	-	4,864,671	189,109,448
Capital assets not subject to depreciation:					
121205 Land	7,456,544	-	-	-	7,456,544
121210 Construction in progress	6,617,786	13,872,812	(8,664)	(4,864,671)	15,617,263
Subtotal, non-depreciable capital assets, net	14,074,330	13,872,812	(8,664)	(4,864,671)	23,073,807
Capital assets, net	\$ 210,311,621	\$ 1,880,298	\$ (8,664)	\$ -	\$ 212,183,255

In FY 2019, the University expended \$15.1 million in capital appropriations for ongoing renovation and construction throughout the University's campus.

Capital Assets activity for the year ended September 30, 2018, is summarized in Table 7 below:

	Balance at October 1, 2017	Additions	Dispositions/ Transfers	CIP Transfers in (out)	Balance at September 30, 2018
Capital assets subject to depreciation:					
Furniture and fixtures	\$ 377,872	\$ -	\$ -	\$ -	\$ 377,872
Equipment & Machinery	10,831,908	436,389	(109,784)	-	11,158,513
Library books	15,000	-	-	-	15,000
Buildings and improvements	307,712,051	3,036,182	-	9,315,275	320,063,508
Land Improvement	13,188,866	-	-	343,214	13,532,080
Total historic cost	332,125,697	3,472,571	(109,784)	9,658,489	345,146,973
Less accumulated depreciation	(136,214,901)	(12,694,781)	-	-	(148,909,682)
Subtotal, depreciable capital assets, net	195,910,796	(9,222,210)	(109,784)	9,658,489	196,237,291
Capital assets not subject to depreciation:					
Land	7,456,544	-	-	-	7,456,544
Construction in progress	7,355,621	8,920,654	-	(9,658,489)	6,617,786
Subtotal, non-depreciable capital assets, net	14,812,165	8,920,654	-	(9,658,489)	14,074,330
Capital assets, net	\$ 210,722,961	\$ (301,556)	\$ (109,784)	\$ -	\$ 210,311,621

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(7) Retirement Programs

The University's full-time employees receive pension benefits either through the Federally administered Civil Service Retirement System, the District Retirement System or the University's Retirement Programs.

The University offers retirement plans to its eligible Educational Service and District Service employees. Eligible employees include faculty, administrative and wage grade staff of the University.

(a) *Defined Benefit Pension Plan*

Civil Service Retirement System (CSRS)

Career service employees hired prior to October 1987 are covered by the Civil Service Retirement System (CSRS), a cost-sharing multiple-employer public employee retirement system administered by the Federal government's Office of Personnel Management (OPM). The CSRS provides retirement and disability benefits, annual cost of living adjustments, and death benefits to plan members and their beneficiaries. The OPM issues a publicly available financial report that includes financial statements and required supplementary information for CSRS, which may be obtained at www.opm.gov.

The contributions are 7% of each covered employee's annual salary to the CSRS on behalf of the University. The contribution requirements of plan members are established (and may be amended) by the OPM. The contributions for the years ended September 30, 2019 and 2018, were \$121,802 and \$138,680, respectively.

(b) *Defined Contribution Pension Plans*

District Retirement Program – 401(a)

Career service employees hired on or after October 1, 1987, are covered by the defined contribution pension plan of the District's Retirement System. The District sponsors the plan under the provisions of D.C. Code 1-626 with a qualified trust under Internal Revenue Code (IRC) Section 401(a).

The University contributes 5% of the annual base salary to a pension account in the employee's name, beginning with the first pay period following completion of one year of creditable service. Contributions are made each pay period based on the employee's pre-tax base salary (excluding overtime, holiday, and Sunday compensation). Employees do not contribute to this plan. Contributions are fully vested after five years of continuous service. The University's contributions were \$77,504 and \$81,290 for the years ended September 30, 2019 and 2018, respectively.

Teachers Insurance Annuity Association/College Retirement Equities Fund (TIAA/CREF)

Eligible Educational Service employees may participate in a contributory pension and retirement plan administered by TIAA/CREF. Under this plan, an employee may contribute a minimum of 5% of his/her base salary. In addition, the University contributes 15% for continuing full-time faculty hired

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prior to August 16, 2003, and 7% for continuing full time faculty hired on or after August 16, 2003. In addition, the University contributes 7% for continuing full time faculty hired on or after August 16, 2003. In addition, the University contributes 7% of the annual salary for the law school faculty and administrative staff. Contributions are transferable to other eligible plans. Total FY 2019 payroll for all employees was approximately \$71.7 million, of which employees with total payroll of approximately \$68.5 million were covered under the plan. The pension cost for the years ended September 30, 2019 and 2018 were \$3,605,913 and \$3,985,148, respectively. Generally, employees are fully vested immediately after start of contribution in both their contributions and in the University's contributions. Approximately 736 employees were covered by this plan during the year.

(c) *Deferred Compensation Plans*

The University provides an additional deferred compensation plan sponsored by Voya Financial and a deferred compensation plan sponsored by ICMA Retirement Corporation (ICMA-RC), but the University does not contribute to either deferred compensation program. Moreover, employee contributions are not assets of the University and the University has no liability to the plan.

(8) *Commitments and Contingencies*

Risk Management

The University, as a component unit of the District, participates in the District's self-insurance activities. The District retains all risk of loss related to torts, theft of, damage to, or destruction of assets, errors or omissions, injuries to employees, and natural disasters. The University is only responsible for making annual premium payments for athletic injury insurance. The District reports claims expenditures and liabilities when it is probable that loss has occurred, and the amount of that loss can be reasonably estimated.

The District also records a liability for an estimate of claims that have been incurred but not reported. Assets are not set aside to finance claims. A disability compensation accrual for claims from injuries to employees is also recorded in the District's basic financial statements. The District, through a separate appropriation, pays all significant losses arising from a lack of commercially provided insurance at no cost to the University.

(a) *Grants and Contracts*

The University receives a portion of its revenues from Federal grants and contracts, which are to be used for certain, stated purposes. These Federal grants and contracts are subject to review and audit by government agencies. Claims against these resources are generally conditional upon compliance with the terms and conditions of the contract and grant agreements and applicable Federal regulations, including the expenditure of resources for allowable purposes. Any disallowance resulting from an audit may become a liability of the University. Management of the University is of the opinion that no significant liability, if any, will result from the outcome of these audits.

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(b) Litigation

The University is a party to a number of legal actions. Liabilities have been accrued for these cases amounting to approximately \$5.4 million and \$2.6 million as of September 30, 2019 and 2018, respectively. The accrued liability reported as litigation contingencies is based on estimates of the payments that will be made upon judgment or resolution of the claim. As of September 30, 2019, and 2018, various claims and lawsuits against the University were settled and the University made settlement payments in the amount of \$6,165 and \$423,718, respectively. In the opinion of management, based on the information currently available, the expected outcome of legal actions will not have a materially adverse effect on the University's financial statements.

(c) Lease Commitments

The University leases certain equipment and facilities under operating leases expiring at various dates through September 2024 and beyond. The University uses several buildings owned by the District and Federal governments, as well as several privately owned buildings.

The University currently has a lease agreement with AvalonBay Communities to lease space for the athletic department. The University also leases equipment from various companies. Total rental expense during the years ended September 30, 2019 and 2018, for all operating leases was \$6,594,373 and \$7,411,151, respectively.

The future annual minimum lease payments under non-cancelable operating lease agreements as of September 30, 2019, that have an initial or remaining lease term in excess of one year are shown in the table below:

Table 8 – Operating lease commitments

Years Ending September 30:	Amount
2020	\$ 3,620,372
2021	3,710,552
2022	3,803,580
2023	3,898,581
2024	3,995,562
2025-2030	8,293,530
Total	\$ 27,322,177

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(9) Discretely Presented Component Units

Based on significant balances reported in the University's discretely presented component units' Statements of Financial Position, the note disclosures, as reported in the separately issued financial statements, are presented as follows.

University of the District of Columbia Foundation, Inc. (Foundation)

Fair Value Measurement

The following table presents the Foundation's financial assets measured at fair value on a recurring basis consistent with the fair value hierarchy provisions of FASB ASC 820. The Foundation's balances as of September 30, were as follows:

2019

	<u>(Level 1)</u>	<u>(Level 2)</u>	<u>(Level 3)</u>	<u>Total</u>
Cash	\$ 394,305	\$ -	\$ -	\$ 394,305
Equities	5,030,537	-	-	5,030,537
Fixed Income	2,247,933	-	-	2,247,933
Total Investments	\$ <u>7,672,775</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>7,672,775</u>

2018

	<u>(Level 1)</u>	<u>(Level 2)</u>	<u>(Level 3)</u>	<u>Total</u>
Cash	\$ 704,766	\$ -	\$ -	\$ 704,766
Equities	4,968,044	-	-	4,968,044
Fixed Income	2,053,350	-	-	2,053,350
Total Investments	\$ <u>7,726,160</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>7,726,160</u>

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Investments

The cost and market values of investments as of September 30, 2019 and 2018, are summarized as follows:

	2019		2018	
	Market	Cost	Market	Value
Cash	\$ 394,306	\$ 394,305	\$ 704,766	\$ 704,766
Securities	<u>6,559,753</u>	<u>7,278,470</u>	<u>6,167,593</u>	<u>7,021,394</u>
	<u><u>\$ 6,954,059</u></u>	<u><u>\$ 7,672,775</u></u>	<u><u>\$ 6,872,359</u></u>	<u><u>\$ 7,726,160</u></u>

Investment returns were the following for the years ended September 30, 2019 and 2018:

	2019	2018
Interest and dividends	\$ 165,098	\$ 130,513
Net realized/unrealized		
Gains/(losses) on		
Investments	264,790	330,458
Management fees	<u>(39,853)</u>	<u>(39,012)</u>
Total	<u><u>\$ 390,035</u></u>	<u><u>\$ 421,959</u></u>

Investments were categorized as follows as of September 30, 2019 and 2018:

	2019	2018
Non-Endowment	\$ 247,947	\$ 1,070,179
Endowment	<u>7,424,828</u>	<u>6,655,981</u>
Total	<u><u>\$ 7,672,775</u></u>	<u><u>\$ 7,726,160</u></u>

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Notes to Basic Financial Statements

September 30, 2019 and 2018

Net Assets With Donor Restrictions

Net assets with donor restrictions consisted of the following as of September 30, 2019 and 2018:

	2019	2018
Temporarily Restricted	\$ 2,116,197	\$ 2,491,617
Permanently restricted	7,424,828	6,655,981
Total	<u>\$ 9,541,025</u>	<u>\$ 9,147,598</u>

Concentration of Risk

The Foundation maintains its cash in financial institutions where, at times, balances may exceed the federally insured limit of \$250,000. At September 30, 2019 and 2018, the uninsured cash balances totaled \$1,409,080 and \$124,366, respectively. The Foundation has not experienced any losses on such accounts.

Promise to Give

Promises to give are carried at the original amount pledged. As of September 30, 2019, promises to give over multiple years are measured using the present value of future cash flows based on a discount rate of 3% - 4% and are listed below:

Amounts due in less than one year	\$ 585,635
Amounts due in one to five years	316,667
Amounts due in more than five years	<u>695,000</u>
	1,597,302
Less discount to present value	(173,029)
	<u><u>\$ 1,424,273</u></u>
Current asset	\$ 585,635
Noncurrent asset	838,638
	<u><u>\$ 1,424,273</u></u>

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Notes to Basic Financial Statements

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University of the District of Columbia School of Law Foundation (School of Law Foundation)

Change in Fiscal Year

In fiscal year 2019, the School of Law Foundation changed its fiscal year from September 30th to June 30th. Therefore, 2019 financial activity reported is for nine months only.

Investments

The School of Law Foundation has invested in money market funds, government securities and mutual funds through Morgan Stanley in the amount of \$11,264,381 and \$11,334,796 as of June 30, 2019 and September 30, 2018, respectively. All investments of the School of Law Foundation are Level 1 investments.

The School of Law Foundation earned \$152,352 and \$184,574 in interest and dividends in 2019 and 2018, respectively that include \$152,332 and \$184,552 from Morgan Stanley in 2019 and 2018, respectively.

Other Receivables

Other receivables consist of the following:

- Student Loan Receivables: For fiscal years 2019 and 2018, the students owed \$42,071 and \$36,963, respectively to the School of Law Foundation. The loans were to be paid upon receipt of the students' guaranteed federal financial aid.
- Advance Receivables: For fiscal years 2019 and 2018, advance receivables of \$41,922 and \$57,481, respectively consist of advances made to the School of Law staff and contractors.

Accrued Expenses

Accrued expenses as of June 30, 2019 and September 30, 2018 of \$105,895 and \$14,700, respectively, consist of unpaid normal operating expenses.

Net Assets With Donor Restrictions

The Foundation's restricted assets for the year ended June 30, 2019 and September 30, 2018 were \$10,438,877 and \$10,612,031 respectively. The Net Assets with donor restrictions as of June 30, 2019 are as follows:

Restricted Net Assets	2019	2018
Temporarily Restricted	\$ 4,044,331	\$ 4,326,073
Permanently Restricted	6,394,546	6,285,958
Total Restricted Net Assets	\$ 10,438,877	\$ 10,612,031

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Concentration of Credit Risk

Financial instruments that potentially subject the Foundation to concentration of credit risk consist principally of interest-bearing cash accounts in financial institutions that exceed Federal Deposit Insurance Corporation (FDIC) limit of \$250,000 per bank.

	Bank Statement		FDIC	Carrying
	Amount	Uninsured	insured	Amount
Wells Fargo	\$ 361,252	\$ 111,252	\$ 250,000	\$ 255,611
Total	\$ 361,252	\$ 111,252	\$ 250,000	\$ 255,611

The cash deposit in Wells Fargo was interest bearing.

Allocation of Functional Expenses

The costs of providing the various programs and activities have been summarized on a functional basis in the Schedule of Functional Expenses. The costs have been charged to the programs and supporting services on an actual basis.

Information on Liquidity Reserve

During the fiscal year ended June 30, 2019, the Foundation was able to maintain its liquidity through its operational revenues which mainly comprise contributions and earnings from investments. Financial assets available within one year are:

Cash	\$ 255,661
Investments	11,264,381
Other Receivables	83,993
Prepaid Expenses	4,272
Total Financial Assets	<u>11,608,307</u>



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**REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS ON INTERNAL
CONTROLS OVER FINANCIAL REPORTING AND ON COMPLIANCE AND
OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

Mayor, Members of the City Council, Board of Trustees of University of the District of Columbia,
and Inspector General of the Government of the District of Columbia
Washington, D.C.

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the basic financial statements of the University of the District of Columbia (the University) as of and for the years ended September 30, 2019 and 2018, and the related notes to the financial statements, and have issued our report thereon dated December 26, 2019.

Internal Controls over Financial Reporting

In planning and performing our audit of the basic financial statements, we considered the University's internal controls over financial reporting (internal controls) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the basic financial statements, but not for the purpose of expressing an opinion on the effectiveness of the University's internal controls. Accordingly, we do not express an opinion on the effectiveness of the University's internal controls.

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

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



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Compliance and Other Matters

As part of obtaining reasonable assurance about whether the University's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

Washington, DC
December 26, 2019

SBC Company, LLC