



2023 Financial Report



WILLAMETTE
UNIVERSITY

*Non Nobis
Solum
Nati Sumus*

Not Unto
Ourselves
Alone
Are We Born

WILLAMETTE UNIVERSITY

2023 FINANCIAL REPORT

June 30, 2023

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Report of Independent Auditors

The Board of Trustees
Willamette University

Report on the Audit of the Financial Statements

Opinion

We have audited the consolidated financial statements of Willamette University (the University) (an Oregon nonprofit corporation), which comprise the statement of financial position as of June 30, 2023, and the related consolidated statements of activities, and cash flows for the year then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the University as of June 30, 2023, and the changes in their net assets and their cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS, we:

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

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

Other Matter

Report on Summarized Comparative Information

We have previously audited the University's 2022 consolidated financial statements, and our report dated November 2, 2022, expressed an unmodified audit opinion on those consolidated financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2022, is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.



Portland, Oregon

October 16, 2023

WILLAMETTE UNIVERSITY

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

June 30, 2023 (with comparative financial information as of June 30, 2022)
(in thousands)

	2023	2022
ASSETS		
Cash and cash equivalents	\$ 5,809	\$ 8,342
Cash and cash equivalents in bond trust accounts	18,114	24,208
Accounts receivable, net	4,591	4,806
Prepaid expenses and other assets	1,461	1,065
Pledges receivable, net	4,421	5,665
Student loans receivable	1,976	2,581
Investments	315,880	322,609
Beneficial interest in trusts held by others	6,013	5,968
Operating lease right of use assets	11,238	13,569
Plant facilities, net	166,776	166,595
Total assets	\$ 536,279	\$ 555,408
 LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable and accrued liabilities	\$ 18,073	\$ 17,455
Deferred revenues	2,574	1,918
Annuities and trusts payable	11,883	12,269
Operating lease right of use liabilities	11,318	13,550
Bonds payable, net	115,127	115,459
Government advances for student loans	2,508	3,146
Total liabilities	161,483	163,797
 Net Assets:		
Without donor restrictions:		
Available for operations	1,292	15,781
Charitable gift annuity funds	769	553
Invested in plant facilities	82,034	87,642
Total net assets without donor restrictions	84,095	103,976
With donor restrictions:		
Unexpended funds received for specific purposes	15,727	16,101
Trust and annuity funds	9,417	10,022
Accumulated undistributed endowment gains	82,051	83,938
Funds with purpose restrictions functioning as endowment	2,565	1,206
Endowment funds restricted in perpetuity	176,395	171,887
Endowment funds held in perpetual trust by others	4,546	4,481
Total net assets with donor restrictions	290,701	287,635
Total net assets	374,796	391,611
Total liabilities and net assets	\$ 536,279	\$ 555,408

WILLAMETTE UNIVERSITY
CONSOLIDATED STATEMENTS OF ACTIVITIES

For the year ended June 30, 2023 (with summarized comparative financial information for the year ended June 30, 2022)
(in thousands)

	2023		2022	
	Without Donor Restrictions	With Donor Restrictions	Total	Total
Revenues:				
Tuition and fees	\$ 105,002	\$ -	\$ 105,002	\$ 96,215
Less student scholarships	(48,783)	(7,838)	(56,621)	(44,975)
Net tuition and fees	56,219	(7,838)	48,381	51,240
Room and board fees	14,554	-	14,554	10,498
Contributions	3,779	8,518	12,297	10,712
Endowment income distributed	5,641	11,561	17,202	13,996
Auxiliary enterprises	628	-	628	480
Grant revenues	541	2,576	3,117	7,841
Other revenues	2,540	240	2,780	3,997
Net assets released from restrictions	10,495	(10,495)	-	-
Total revenues	94,397	4,562	98,959	98,764
Expenses:				
Salaries and wages	51,803	-	51,803	48,970
Employee fringe benefits	15,478	-	15,478	14,616
Supplies and services	32,162	-	32,162	30,728
Plant operations and maintenance	4,766	-	4,766	5,154
Depreciation	6,485	-	6,485	6,526
Interest	3,799	-	3,799	4,135
Total expenses	114,493	-	114,493	110,129
Change in net assets before other changes	(20,096)	4,562	(15,534)	(11,365)
Other changes in net assets:				
Endowment returns, net of distributions	(567)	(1,816)	(2,383)	(53,148)
Adjustment related to annuities and trusts	216	399	615	(2,329)
Post retirement benefits liability adjustment	487	-	487	(90)
Gain on extinguishment of debt	-	-	-	1,391
Adjustments to restricted pledges	-	-	-	(5)
Other	79	(79)	-	-
Change in net assets	(19,881)	3,066	(16,815)	(65,546)
Net assets at beginning of year	103,976	287,635	391,611	457,157
Net assets at end of year	<u>\$ 84,095</u>	<u>\$ 290,701</u>	<u>\$ 374,796</u>	<u>\$ 391,611</u>

WILLAMETTE UNIVERSITY

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the year ended June 30, 2023 (with comparative financial information for the year ended June 30, 2022)
(in thousands)

	2023	2022
Cash flows from operating activities:		
Cash received from tuition, fees, room and board	\$ 64,446	\$ 59,427
Cash received from contributions and grants	12,726	14,154
Cash investment returns	1,338	(287)
Miscellaneous receipts	3,048	6,418
Payments for employees and benefits	(68,459)	(65,647)
Payments to vendors	(36,673)	(34,023)
Cash paid for interest on bonds, net of amounts capitalized	(4,307)	(4,114)
Net change in cash from operating activities	(27,881)	(24,072)
Cash flows from investing activities:		
Purchases of investments	(25,633)	(19,111)
Proceeds from maturities/sales of investments	48,133	31,439
Purchases of plant facilities	(6,222)	(7,645)
Net change in cash from investing activities	16,278	4,683
Cash flows from financing activities:		
Cash contributions restricted for:		
Investment in endowment	3,503	3,601
Investment in plant facilities	112	3
Investment subject to annuity and trust agreements	-	229
Principal payments on notes payable	-	(11,874)
Change in government advances for student loans	(639)	(827)
Net change in cash from financing activities	2,976	(8,868)
Net change in cash and cash equivalents	(8,627)	(28,257)
Total beginning cash and cash equivalents and restricted cash and cash equivalents	32,550	60,807
Total ending cash and cash equivalents and restricted cash and cash equivalents	\$ 23,923	\$ 32,550
Reconciliation of cash and cash equivalents and restricted cash and cash equivalents to statement of financial position:		
Cash and cash equivalents	\$ 5,809	\$ 8,342
Cash and cash equivalents in bond trust accounts	18,114	24,208
Total ending cash and cash equivalents and restricted cash and cash equivalents	\$ 23,923	\$ 32,550

WILLAMETTE UNIVERSITY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2023 (with comparative financial information as of June 30, 2022)
(in thousands)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Willamette University (the University) is a private institution of higher education accredited by the Northwest Commission on Colleges and Universities, and is an Oregon not-for-profit organization funded by student tuition revenue, endowment income, and outside contributions, offering students a number of graduate and undergraduate degrees in programs connecting liberal arts education to professional practice.

Basis of Accounting

These consolidated financial statements are presented on the accrual basis of accounting in accordance with U.S. generally accepted accounting principles, and have been prepared to focus on the University as a whole.

Consolidation

The accompanying financial statements are the consolidated financial statements of the University and the following entities. All material transactions between the university and its consolidated entities have been eliminated.

Center for Contemporary Art and Culture (CCAC) was part of the 2021 merger with Pacific Northwest College of Art. Formerly known as Museum of Craft and Design, CCAC is an Oregon nonprofit membership corporation whose sole corporate member is the University. CCAC owns 80% of PCNA Holdings, LLC and 1% of PNCA Master Tenant, LLC.

PNCA Holdings, LLC (PNCA Holdings) was part of the 2021 merger with Pacific Northwest College of Art, and is a limited liability company whose managing member is CCAC and whose investor member is PNCA Master Tenant, LLC. PNCA Holdings was formed to indirectly acquire, hold and operate PNCA's main campus facility, a historic former federal building located in Portland, Oregon. A federal new market tax credit compliance period ended in December 2021, and financial assets and liabilities related to the tax credits were unwound at that time.

PNCA Master Tenant, LLC (PNCA Master Tenant) was part of the 2021 merger with Pacific Northwest College of Art, and is a limited liability company whose managing member is the University and whose investor member is CCAC. PNCA Master Tenant leases PNCA's main campus facility from PNCA Holdings, and subleases it to the University.

WUE Investment Holdings, LP (WUE IH) was formed to hold endowment assets for the University. The University has engaged an outsourced chief investment office (OCIO) that serves as general partner, and the University is the sole limited partner. See Note 5 for more information on WUE IH, also referred to as the multi-strategy limited partnership investment fund.

Willamette Angel Fund, LLC (Angel Fund) was formed to hold assets for an experiential learning program operated by the University's Atkinson Graduate School of Management. This program allows students to experience all aspects of selecting and acquiring venture capital assets, including due diligence. The University is the sole member in Angel Fund.

Use of Estimates

The preparation of consolidated financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities at the date of the consolidated financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

Income Taxes

The Internal Revenue Service (IRS) has recognized the University as exempt from tax under the provisions of Section 501(c)(3) of the Internal Revenue Code except to the extent of unrelated business income under Sections 511 through 515. Unrelated business income is insignificant, and therefore, no tax provision has been made. The University accounts for income taxes in accordance with Accounting Standards Codification (ASC) 740-10, *Income Taxes - Overall*, which clarifies the accounting for uncertainty in income taxes recognized in an enterprise's consolidated financial statements and prescribes a threshold of more-likely-than-not for recognition of tax benefits of uncertain tax positions taken or expected to be taken in a tax return. The University does not have any uncertain tax positions.

WILLAMETTE UNIVERSITY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2023 (with comparative financial information as of June 30, 2022)
(in thousands)

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *Continued*

Financial Statement Presentation

The University reports financial information according to the existence or absence of donor imposed restrictions, classifying net assets and transactions into two classes:

Net assets without donor restrictions – Net assets not subject to donor imposed restrictions.

Net assets with donor restrictions – Net assets subject to donor imposed restrictions that will be met by action of the University and/or the passage of time, or will exist in perpetuity in the form of endowment funds. Generally, the donors of endowment funds permit the University to use all or part of the income earned on related investments for general or specific purposes.

Revenues are reported as increases in net assets without donor restrictions unless their use is limited by donor imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions. Investment income, gains, and losses and other assets or liabilities are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor restrictions or by law. Expirations of restrictions on net assets (i.e., the donor stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as a release from net assets with donor restrictions to net assets without donor restrictions in the consolidated statement of activities.

Changes in net assets before other changes serves as a measure of operations. The University defines non-operating activities to include endowment returns net of distributions for operations, actuarial adjustments to trusts and annuities and post-retirement benefits, adjustments to restricted pledges, and gain or loss on extinguishment of debt. Certain other gains and losses that do not occur in the normal course of operations are also included in other changes in net assets.

The statement of activities includes comparative summarized information for the year ended June 30, 2022. Such information does not include sufficient detail by net asset class to constitute a presentation in conformity with U.S. generally accepted accounting principles. Accordingly, such information should be read in conjunction with the University's consolidated financial statements for the year ended June 30, 2022, from which the summarized information was derived.

Tuition and fees

Student tuition and fee revenue is recognized pro-rata over each term as performance obligations associated with the delivery of educational services are met. Registration and other fees that do not relate to instruction are recognized when no longer refundable. The University's student accounts receivable represent unconditional rights to consideration from its contracts with students; accordingly, receivables are recorded once the term has begun and revenue recognition has commenced. The University maintains an institutional tuition refund policy, which provides for a full or partial refund of tuition if a student withdraws during stated refund periods. If a student withdraws at a time when only a portion, or none of the tuition is refundable, then in accordance with its revenue recognition policy, the University continues to recognize the tuition that was not refunded pro-rata over the applicable period of instruction. The University's education programs have start and end dates that differ from its fiscal year-end. Students are generally billed for courses and programs prior to the start of the course or program. Therefore, at the end of each fiscal year, a portion of revenue from these programs is not yet earned and is recorded as deferred revenue in the statement of financial position.

Room and Board Fees

Room and board fees are recognized pro-rata as performance obligations associated with the delivery of room and board services are provided. The University's receivables represent unconditional rights to consideration from its contracts with students; accordingly, receivables are recorded once students have moved into student housing. As with tuition and fees revenue, the University provides for a full or partial refund of room and board fees if a student withdraws and checks out of housing during stated refund periods. If a student checks out of housing at a time when only a portion, or none of the room and board is refundable, then, in accordance with its revenue recognition policy, the University continues to recognize room and board that was not refunded pro-rata over the applicable housing period.

WILLAMETTE UNIVERSITY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2023 (with comparative financial information as of June 30, 2022)
(in thousands)

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *Continued*

Contributions and Pledges Receivable

Contributions, including unconditional promises to give, are recognized as revenues in the period in which they are received. Unconditional promises are recognized at the estimated present value of future cash flows, discounted at a risk adjusted rate. Conditional promises to give are recognized when the conditions are met. Amortization of the discount is recorded as additional contribution revenue. An allowance for uncollectible contributions receivable is provided based upon management's judgment, including such factors as prior giving history, type of contribution, collection risk, and nature of fund raising activity. Contributions of assets other than cash are recorded at their estimated fair value. Contributions for capitalized long lived assets are released from restriction when the assets are placed into service.

Government and Private Grants

Individual, governmental, and private grant arrangements are evaluated on an individual basis. If determined to be nonreciprocal, meaning the granting entity has not received a direct benefit in exchange for the resources provided, revenue is recognized like a conditional contribution until any barriers to entitlement are overcome. Barriers to entitlement are considered overcome when expenditures associated with each grant are determined to be allowable and all other significant conditions of the grant are met. As of June 30, 2023, the amount for which grants were awarded but conditions required for recognition not yet met, typically when qualified expenditures are incurred, was \$3,853.

Auxiliary Enterprises and Other Revenues

Other sources of revenue are recognized in the fiscal year in which they are earned.

Cash and Cash Equivalents

Cash and cash equivalents include bank demand deposits, petty cash, and money market accounts which are not considered restricted long-term investments. Cash in bond trust accounts consists primarily of unspent project funds from the issuance of 2021 Series A revenue bonds. For valuation purposes, cash and cash equivalents have observable inputs (see Investments for more information on observable inputs). The amount of cash and cash equivalents on deposit fluctuates and may exceed the limit of \$250,000 insured by the Federal Deposit Insurance Corporation per depositor per insured bank for each account ownership category.

Accounts Receivable, Net

Accounts receivable consist primarily of student accounts receivable and are carried at their outstanding amount. The allowance estimates are based on past collection experience and an aging analysis of the outstanding balances. Account balances are charged off against the allowance after all means of collection have been exhausted and potential recovery is considered remote.

WILLAMETTE UNIVERSITY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2023 (with comparative financial information as of June 30, 2022)
(in thousands)

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *Continued*

Investments

The University follows the provisions of ASC 820, *Fair Value Measurements*, which defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date and establishes a framework for measuring fair value.

ASC 820 establishes a three level valuation hierarchy for fair value measurements. The valuation hierarchy is based upon the transparency of inputs to the valuation of an asset or liability as of the measurement date. The three levels are defined as follows:

Level 1 – Inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 – Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. This includes quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the asset or liability, or inputs that are derived principally from or corroborated by observable market data.

Level 3 – Inputs are unobservable for the asset or liability. Unobservable inputs reflect the reporting entity's own assumptions about the assumptions that market participants would use in pricing the asset or liability developed based on the best information available in the circumstances.

A financial instrument's categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement. In addition, the University's ability to redeem its interest at or near the date of the statement of financial position is also considered. Investments measured at net asset value (NAV) per share (or its equivalent) using the practical expedient in the fair value measurement guidance are not included in the fair value hierarchy. The inputs or methodology used for valuing or classifying investments for financial reporting purposes are not necessarily an indication of the risks associated with those investments or a reflection of the liquidity of or degree of difficulty in estimating the fair value of each fund's underlying assets and liabilities.

Investments are reported at estimated fair value using the provisions of ASC 820, as discussed in the section, *Fair Value Measurements*. If an investment is held directly by the University and an active market with quoted prices exists, the market price of an identical security is used as reported fair value. Reported fair values for shares in mutual funds are based on share prices reported by the funds as of the last day of the fiscal year. Alternative investments are reported at NAV as provided by the investees and in accordance with applicable professional literature, unless it is probable that all or a portion of the investment will be sold for an amount different from NAV. These financial instruments may contain elements of both credit and market risk. Such risks include, but are not limited to, limited liquidity, absence of regulatory oversight, dependence upon key individuals, emphasis on speculative investments, and nondisclosure of full portfolio composition. Management believes the carrying amount of these financial instruments is a reasonable estimate of the fair value. Estimated fair values may differ materially from the values that would have been used had a ready market for those securities existed. Realized and unrealized gains and losses on endowment investments are reflected in the statement of activities as endowment returns.

WILLAMETTE UNIVERSITY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2023 (with comparative financial information as of June 30, 2022)
(in thousands)

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *Continued*

Charitable Gift Annuities and Remainder Trusts

The University has entered into deferred gift agreements with donors classified as charitable gift annuities and charitable remainder trusts. Under these agreements, the University receives a gift from the donor in which it has a remainder interest and agrees to make distributions to beneficiaries over a specified period of time, often the lifetime of the beneficiaries. When the agreement reaches the end of its terms, remaining assets are transferred to University funds, or in some cases, are distributed to third-party beneficiaries. The University manages a segregated pool of assets for charitable gift annuities, and serves as the trustee for various charitable remainder trusts. Assets held in the gift annuity pool and charitable trusts are carried as investments at their estimated fair values. The related liability is recorded at the estimated present value of the amounts due to income beneficiaries or third party remainder beneficiaries.

The University uses an actuarial method to account for charitable gift annuities and remainder trusts. Under this method, the present value of payments to beneficiaries is determined based upon life expectancy tables (currently 2012 IAR) when the gift is received. The estimated present value of those payments is recorded as a liability and the remainder as net assets without donor restrictions or net assets with donor restrictions, determined by purpose restrictions imposed by donors and implied time restrictions for charitable remainder trusts. Periodic adjustments are made between the liability and the net assets to record actuarial gains or losses.

The discount rate used by the University to calculate the present value of these agreements is 6%.

Beneficial Interest in Trusts Held by Others

Assets held in trust by others represent resources held and administered by outside trustees, from which the University derives income or has a residual interest. These assets are recognized at the present value of estimated future cash flows when the trust is established and/or the University is notified of its existence. Changes in the fair value of remainder trust assets held by others are reflected in adjustment related to annuities and trusts in the statement of activities. Changes in the fair value of perpetual trust assets held by others are reflected in endowment returns, net of distributions.

Plant Facilities, net

Plant facilities are recorded at cost at the date of acquisition, or fair value at the date of receipt if contributed. Routine repair and maintenance expenses and replacement costs are expensed as incurred. The University computes depreciation using the straight line method over the estimated useful lives of plant facilities.

	Capitalization Threshold	Useful Lives
Campus improvements	\$25	25 years
Buildings and building improvements	25 - 50	25 - 50 years
Furniture, fixtures and equipment	5	5 - 15 years
Library holdings	N/A	25 years

The University has acquired art and other collectibles as part of its Hallie Ford Museum of Art and Center for Contemporary Art and Culture collections (art collections). Depreciation is not recorded on art collections. Proceeds from the sale of deaccessioned items are used for acquisition or direct care of art collections.

Leases

The University follows the provisions of ASC 842, *Leases*, which requires recognition of a right of use asset and lease liability for all leases longer than 12 months, including operating leases. The lease liability represents the university's obligation to make lease payments measured on a discounted basis, and the right of use asset represents the university's right to use or control use of a specified asset for the term of the lease. The University uses the risk-free rate at lease inception to determine the present value of lease payments. Variable lease payments are accounted for as period expenses unless the changes are based on an index or the liability is remeasured.

Bond Issuance Costs

Bond issuance costs are classified as a component of bonds payable in the statement of financial position. Amortization of the bond issuance costs is calculated using a method that approximates the effective yield over the life of the bonds.

WILLAMETTE UNIVERSITY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2023 (with comparative financial information as of June 30, 2022)
(in thousands)

NOTE 2 - ACCOUNTS RECEIVABLE

At June 30, 2023 and June 30, 2022 accounts receivable are as follows:

	<u>2023</u>	<u>2022</u>
Student accounts	\$ 809	\$ 909
Student accounts due from a third party sponsor	9	22
Student accounts in collections	2,223	2,356
Federal student loans pending drawdown	2,106	2,216
Other receivables	1,842	1,811
	<u>6,989</u>	<u>7,314</u>
Less: allowance for doubtful accounts	(2,398)	(2,508)
Accounts receivable, net	<u>\$ 4,591</u>	<u>\$ 4,806</u>

NOTE 3 – PLEDGES RECEIVABLE

The University records pledges receivable at the present value of estimated future cash flows using discount rates ranging from 4.5% to 0.22% for pledges receivable outstanding at June 30, 2023 and June 30, 2022. Annual payments are scheduled to be received as follows:

	<u>2023</u>	<u>2022</u>
Less than one year	\$ 1,937	\$ 1,747
One to five years	2,698	4,178
More than five years	-	2
	<u>4,635</u>	<u>5,927</u>
Less:		
Discount	(132)	(152)
Reserve for uncollectible accounts	(82)	(110)
Pledges receivable, net	<u>\$ 4,421</u>	<u>\$ 5,665</u>

NOTE 4 - STUDENT LOANS RECEIVABLE

The University’s student loans receivable consists primarily of a revolving loan fund for Federal Perkins Loans for which the University acts as an agent for the federal government. These loans are recorded based on the outstanding principal balance, less an allowance for estimated losses. Perkins loans receivable, net, were \$1,972 and \$2,573 as of June 30, 2023 and June 30, 2022.

Funds held in the Federal Perkins Loan programs of \$2,508 and \$3,146 are ultimately refundable to the government and are classified as a liability in the statement of financial position as of June 30, 2023 and June 30, 2022.

Since student loans under the Federal Perkins Loan program can be assigned to the U.S. government when they are no longer collectible, a Perkins loan write off will reduce the amount refundable to the government. Due to this program provision, the University does not maintain an allowance for doubtful accounts with regard to Perkins loans. Nonperforming Perkins loans were \$391 and \$479 as of June 30, 2023 and June 30, 2022.

The Perkins loan program was not reauthorized, and final disbursements were made in the year ended May 31, 2018. The University will return excess funds as required by the federal government, and will continue to service loans until assignment is required or it is more cost-effective to assign the remaining loans.

WILLAMETTE UNIVERSITY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2023 (with comparative financial information as of June 30, 2022)
(in thousands)

NOTE 5 - INVESTMENTS

Investments at June 30, 2023 and June 30, 2022 are as follows:

	<u>2023</u>	<u>2022</u>
Multi-strategy limited partnership investment fund	\$ 261,475	\$ 268,216
Balanced stock/fixed income limited partnership investment fund	24,472	31,741
Money market funds	8,234	196
Fixed income securities	2,273	2,371
Equity and real asset funds	7,098	7,072
Other investments	12,328	13,013
Total investments	<u>\$ 315,880</u>	<u>\$ 322,609</u>

(a) Overall Endowment Investment Objective

The overall investment objective of the University is to produce the maximum total return (net income plus appreciation) consistent with prudent management and preservation of purchasing power (preservation of principal adjusted for inflation). The University's Endowment Committee oversees the University's investment program in accordance with established guidelines approved by the Board of Trustees.

(b) Endowment Investment Strategy

The University has engaged an outsource chief investment office (OCIO), and most of its endowment assets are invested in a single multi-strategy limited partnership investment fund (the "Fund") whose investment strategy focuses on varied traditional and nontraditional investment opportunities to provide a diversified single portfolio for investors. The Fund invests primarily in investment vehicles such as hedge funds and private equity funds, or pooled accounts managed by unaffiliated third parties. The Fund may also invest directly in securities, exchange traded funds, derivative contracts, and other instruments.

The Fund's portfolio is globally diversified and allocated across multiple asset classes including equities, real assets, commodities/resources and fixed income instruments. The Fund is invested for total return; generating current income is not an objective. The long-term total return objective dictates a significant allocation to asset classes expected to generate equity-like returns. The risks inherent in higher returning asset classes can normally be reduced through diversification, which is a key principal of the Fund's asset allocation approach. The Fund's investments are subject to various risk factors including market, credit and industry risk. Market risk represents the potential loss in value of financial instruments caused by movements in market variables, such as interest rates. Other risks affecting these investments include, but are not limited to, increasing competition, rapid changes in technology and changes in economic conditions.

The University's interest in the Fund is redeemable annually at net asset value, requiring a written redemption request at least 120 days prior to the annual redemption date. Due to the illiquid nature of its underlying investments, all redemptions from the Fund are subject to the general partner's approval and may be limited or suspended entirely. Additionally, sale of all or part of the Fund to a third party is not permitted.

The following table summarizes the percentage asset allocation in the University's multi-strategy limited partnership investment fund as of June 30, 2023 and June 30, 2022:

	<u>2023</u>	<u>2022</u>
Public equity managers and listed investments	19%	18%
Alternative investment vehicles and other real assets	72%	73%
Fixed income, cash and cash equivalents, and other	9%	9%
	<u>100%</u>	<u>100%</u>

WILLAMETTE UNIVERSITY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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NOTE 5 - INVESTMENTS *Continued*

The University's investments and other assets by major category in the fair value hierarchy as of June 30, 2023 and June 30, 2022 are as follows:

	Total	Level 1	Level 2	Level 3
	2023			
Beneficial interest in trusts held by others (a)	\$ 6,013	\$ -	\$ -	\$ 6,013
Investments in the fair value hierarchy:				
Money market funds	8,234	8,234	-	-
Fixed income securities	2,273	2,273	-	-
Stocks, equity and real asset funds	7,098	6,237	-	861
Other: charitable remainder trusts (b)	12,328	12,328	-	-
Total	<u>29,933</u>	<u>29,072</u>	<u>-</u>	<u>861</u>
Investments measured at net asset value:				
Multi-strategy limited partnership (LP) investment fund (c)	261,475	261,475	-	-
Balanced stock/fixed income LP investment fund (d)	24,472	24,472	-	-
Total investments	<u>315,880</u>	<u>315,019</u>	<u>-</u>	<u>861</u>
Total assets	<u>\$ 321,893</u>	<u>\$ 315,019</u>	<u>\$ -</u>	<u>\$ 6,874</u>
	2022			
Beneficial interest in trusts held by others (a)	\$ 5,968	\$ -	\$ -	\$ 5,968
Investments in the fair value hierarchy:				
Money market funds	196	196	-	-
Fixed income securities	2,371	2,371	-	-
Stocks, equity and real asset funds	7,072	6,233	-	839
Other: charitable remainder trusts (b)	13,013	13,013	-	-
Total	<u>22,652</u>	<u>21,813</u>	<u>-</u>	<u>839</u>
Investments measured at net asset value:				
Multi-strategy limited partnership (LP) investment fund (c)	268,216	268,216	-	-
Balanced stock/fixed income LP investment fund (d)	31,741	31,741	-	-
Total investments	<u>322,609</u>	<u>321,770</u>	<u>-</u>	<u>839</u>
Total assets	<u>\$ 328,577</u>	<u>\$ 321,770</u>	<u>\$ -</u>	<u>\$ 6,807</u>

- (a) Beneficial interest in trusts held by others represents charitable remainder trusts and perpetual trusts for which the University is a beneficiary but does not serve as trustee. The trustee is responsible for making investment decisions and providing distributions to the University based on its share in the fair value of the trust. As value represents expected future cash flows from the underlying assets held by the trustee, these assets are classified as Level 3 investments.
- (b) The University serves as trustee for certain charitable remainder trusts, controlling the investment of assets which are primarily held in Level 1 stocks, equity, and real asset funds.
- (c) See Endowment Investment Strategy.
- (d) The University's interest in the balanced stock/fixed income LP investment fund is fully redeemable monthly at net asset value, requiring a written redemption request at least 6 days prior to the monthly redemption date. This fund is also managed by the University's OCIO.

WILLAMETTE UNIVERSITY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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NOTE 5 - INVESTMENTS *Continued*

The liquidity profile for the multi-strategy limited partnership investment fund is actively managed to maintain sufficient liquidity for limited partners. At June 30, 2023, 39% and 46% of the fund was convertible to cash within one year and three years, respectively. As of June 30, 2023, the University had approximately \$50 million of unfunded commitments. However, commitments are made each year to new private investments within the portfolio. Generally, the eventual capital calls associated therewith are met by distribution from maturing private investments.

Investment liquidity as of June 30, 2023 is aggregated below based on expected redemption or sale period:

	Investments fair values
Daily	\$ 16,745
Monthly	24,472
Biannually	261,474
Illiquid	13,189
	\$ 315,880

Activities for investments classified in Level 3 are as follows for the years ended June 30, 2023 and June 30, 2022:

	2023			2022		
	Beneficial interest-trusts held by others	Stock and equity funds	Total	Beneficial interest-trusts held by others	Stock and equity funds	Total
Beginning balances	\$ 5,968	839	6,807	\$ 6,791	775	7,566
Net realized and unrealized gains (losses)	45	(53)	(8)	(823)	(11)	(834)
Additions	-	75	75	-	75	75
Proceeds	-	-	-	-	-	-
Transfers between levels	-	-	-	-	-	-
Ending balances	\$ 6,013	861	6,874	\$ 5,968	839	6,807

NOTE 6 - ENDOWMENT AND FUNDS FUNCTIONING AS ENDOWMENT

As of June 30, 2023, the University's endowment consists of 679 individual funds established for a variety of purposes, including both donor-restricted endowment funds and funds designated to function as endowments. As required by U.S. generally accepted accounting principles (GAAP), net assets associated with endowment funds, including funds designated by the governing board to function as endowments, are classified and reported based on the existence or absence of donor imposed restrictions.

Interpretation of Relevant Law

The University has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) enacted in the State of Oregon to allow the board to define prudent spending from donor-restricted endowment funds absent explicit donor instruction. For accounting purposes, the University classifies as endowment funds restricted in perpetuity the original value of gifts donated to the perpetual endowment. The remaining portion of the donor-restricted endowment fund that is not classified as endowment funds restricted in perpetuity is classified as accumulated undistributed endowment gains until those amounts are appropriated for expenditure.

In making a determination to appropriate accumulated undistributed endowment gains consistent with the standard of prudence prescribed by UPMIFA, the University considers factors including the purposes of the University and the donor-restricted endowment fund, the duration and preservation of the fund, the investment policies of the University, expected total return from income and appreciation of investments, general economic conditions, the possible effect of inflation and deflation, and other resources of the University. Determinations also consider the rebuttable presumption of imprudence for appropriations of more than 7% of the fair market value of an endowment fund, calculated on the basis of quarterly market values averaged over a period of not less than three years immediately preceding the year in which the appropriation was made, in accordance with the Oregon UPMIFA statute.

WILLAMETTE UNIVERSITY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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NOTE 6 - ENDOWMENT AND FUNDS FUNCTIONING AS ENDOWMENT *Continued*

Return Objectives and Risk Parameters

The University has adopted investment and spending policies for endowment assets that seek to produce the maximum total return (net income plus appreciation) consistent with prudent management and preservation of purchasing power (preservation of principal adjusted for inflation); provide a consistent or increasing level of support on an inflation-adjusted basis over the long term; and maintain intergenerational equity between the current generation and future generations of beneficiaries.

Endowment net asset composition by type of fund consists of the following as of June 30, 2023 and June 30, 2022:

	2023			2022		
	Without donor restrictions	With donor restrictions	Total	Without donor restrictions	With donor restrictions	Total
Funds functioning as endowment	\$ 39,221	2,565	41,786	\$ 45,017	1,206	46,223
Accumulated endowment gains	-	82,051	82,051	-	83,938	83,938
Funds restricted in perpetuity	-	176,395	176,395	-	171,887	171,887
Funds held in perpetual trust by others	-	4,546	4,546	-	4,481	4,481
Total endowment net assets	<u>39,221</u>	<u>265,557</u>	<u>304,778</u>	<u>45,017</u>	<u>261,512</u>	<u>306,529</u>
Less perpetual trusts held by others	-	(4,546)	(4,546)	-	(4,481)	(4,481)
Less endowment pledges receivable	(60)	(1,532)	(1,592)	(80)	(2,125)	(2,205)
Add custodial funds invested	405	-	405	406	-	406
Pooled endowment investment funds	<u>\$ 39,566</u>	<u>259,479</u>	<u>299,045</u>	<u>\$ 45,343</u>	<u>254,906</u>	<u>300,249</u>

Changes in endowment net assets for the years ended June 30, 2023 and June 30, 2022 are as follows:

	2023			2022		
	Without donor restrictions	With donor restrictions	Total	Without donor restrictions	With donor restrictions	Total
Beginning endowment net assets	\$ 45,017	261,512	306,529	\$ 51,633	303,371	355,004
Net investment returns	2,114	12,705	14,819	(5,971)	(33,181)	(39,152)
Contributions	-	1,809	1,809	100	3,606	3,706
Bequests deposited to quasi	2,151	3,638	5,789	758	26	784
Appropriation for expenditure	(2,681)	(14,521)	(17,202)	(1,664)	(12,332)	(13,996)
Other changes:						
Annuity and trust maturities	-	-	-	-	-	-
Board directed quasi transfer	(7,987)	-	(7,987)	56	-	56
Other quasi transfers	-	(6)	(6)	-	(8)	(8)
Adjustments to restricted pledges	-	-	-	-	(5)	(5)
Release purpose-restricted quasi	585	(585)	-	65	(65)	-
Other	22	1,005	1,027	40	100	140
Ending endowment net assets	<u>\$ 39,221</u>	<u>265,557</u>	<u>304,778</u>	<u>\$ 45,017</u>	<u>261,512</u>	<u>306,529</u>

WILLAMETTE UNIVERSITY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2023 (with comparative financial information as of June 30, 2022)
(in thousands)

NOTE 6 - ENDOWMENT AND FUNDS FUNCTIONING AS ENDOWMENT *Continued*

Spending Policy

The University has a policy of appropriating each year for distribution 4.5% of the endowment investment pool's average market value over the prior twenty quarters, through the quarter ending on September 30th of the year preceding distribution. In addition, excess appropriation was applied to funds generating revenue without donor restrictions and budget-relieving revenue for the years ended June 30, 2023 and June 30, 2022. The average rate applied to funds in the spending formula was 5.94% and 5.39%, respectively, for the years ended June 30, 2023 and June 30, 2022. The effective spending rate (calculated as current spending distributions net of reinvestments and recapture divided by the fair value of endowment investments at the beginning of the year) was 5.73% and 4.03%, respectively, for the years ended June 30, 2023 and June 30, 2022.

Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires the University to maintain as a fund of perpetual duration. UPMIFA allows an institution to continue to spend on an endowment that is below this level. Deficiencies of this nature were \$2,860 and \$3,308 as of June 30, 2023 and June 30, 2022, respectively, and are included in the table below. These deficiencies resulted from unfavorable market fluctuations that occurred after the investment of new donor-restricted contributions and continued appropriation for certain programs. Future expenditures from funds with deficiencies are subject to the same criteria used in appropriation determinations - see discussion under Interpretation of Relevant Law.

Cumulative gains and losses for endowment funds with donor restrictions are as follows as of June 30, 2023 and June 30, 2022:

	2023			2022		
	Original gift	Cumulative gains/(losses)	Fair Value	Original gift	Cumulative gains/(losses)	Fair Value
Underwater funds restricted in perpetuity	\$ 37,938	(2,860)	35,078	\$ 38,605	(3,308)	35,297
Other funds restricted in perpetuity	136,925	84,911	221,836	131,157	87,246	218,403
Funds with purpose restrictions functioning as endowment	2,565	-	2,565	1,206	-	1,206
Total donor-restricted endowment pool	<u>\$ 177,428</u>	<u>82,051</u>	<u>259,479</u>	<u>\$ 170,968</u>	<u>83,938</u>	<u>254,906</u>

Substantially all of the University's endowment funds are pooled for investment purposes. Income earned on endowment fund investments is allocated on the basis of each fund's proportionate interest in the pooled investment portfolio. The components of total endowment investment return for the years ended June 30, 2023 and June 30, 2022 are reflected below:

	2023	2022
Net change in investment value	\$ 16,515	\$ (37,445)
Investment fees and other	(1,696)	(1,707)
Total endowment investment return	<u>\$ 14,819</u>	<u>\$ (39,152)</u>
Endowment investment return included in revenues	17,202	13,996
Endowment investment return included in other changes in net assets	(2,383)	(53,148)
Total endowment investment return	<u>\$ 14,819</u>	<u>\$ (39,152)</u>

WILLAMETTE UNIVERSITY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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NOTE 7 - CHARITABLE GIFT ANNUITIES AND REMAINDER TRUSTS

Charitable gift annuities and remainder trusts consist of the following at June 30, 2023 and June 30, 2022:

	2023			2022		
	Charitable gift annuities	Remainder trusts	Total	Charitable gift annuities	Remainder trusts	Total
Assets:						
Investments:						
Money market and fixed income	\$ 2,377	-	2,377	\$ 2,478	-	2,478
Equity and real asset strategies	5,898	-	5,898	5,867	-	5,867
Charitable remainder trusts	-	12,328	12,328	-	13,013	13,013
Beneficial interest in remainder trusts held by others	-	1,466	1,466	-	1,486	1,486
Total assets	<u>\$ 8,275</u>	<u>13,794</u>	<u>22,069</u>	<u>\$ 8,345</u>	<u>14,499</u>	<u>22,844</u>
Liabilities and net assets:						
Annuities and trusts payable	4,197	7,686	11,883	4,384	7,885	12,269
Net assets without donor restrictions	769	-	769	553	-	553
Net assets with donor restrictions	3,309	6,108	9,417	3,408	6,614	10,022
Total liabilities and net assets	<u>\$ 8,275</u>	<u>13,794</u>	<u>22,069</u>	<u>\$ 8,345</u>	<u>14,499</u>	<u>22,844</u>
Gift portion of new annuities and trusts included in contributions	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>\$ 173</u>	<u>56</u>	<u>229</u>

The University maintains a segregated pool of gift annuity assets to fund beneficiary payments. Charitable gift annuities written for residents of California and Washington are subject to state-mandated reserve requirements, and amounts set aside in these segregated reserve accounts totaled \$2,779 and \$2,689 at June 30, 2023 and 2022, respectively.

NOTE 8 - PLANT FACILITIES, NET

Plant facilities consist of the following at June 30, 2023 and June 30, 2022:

	2023	2022
Land	\$ 8,655	\$ 8,655
Campus improvements	16,041	15,923
Buildings and building improvements	216,192	215,364
Furniture, fixtures and equipment	10,075	9,756
Library holdings	40,703	40,571
Art collection	9,298	8,931
Construction in progress	10,252	5,350
Plant facilities	<u>311,216</u>	<u>304,550</u>
Accumulated depreciation	(144,440)	(137,955)
Plant facilities, net	<u>\$ 166,776</u>	<u>\$ 166,595</u>

The University recorded depreciation expense of \$6,485 and \$6,526, respectively, during the years ended June 30, 2023 and June 30, 2022.

WILLAMETTE UNIVERSITY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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NOTE 9 - LEASES

The University leases facilities and equipment under noncancelable operating lease agreements expiring through June 2028 as of June 30, 2023. At this time there are no financing leases. Total lease expense for the years ended June 30, 2023 and June 30, 2022 was \$2,937 and \$3,357, respectively.

Expected future aggregate minimum lease payments are as follows:

<u>Fiscal Years Ending June 30,</u>	<u>Payments</u>
2023-2024	\$ 2,657
2024-2025	2,470
2025-2026	2,396
2026-2027	1,984
2027-2028	2,043
Thereafter	-
Total expected future aggregate minimum lease payments	11,550
Discount	(232)
Operating lease liabilities	\$ 11,318

NOTE 10 - PNCA NOTES PAYABLE AND NOTE RECEIVABLE

As part of the agreement to fund and finance the renovation of PNCA's main campus facility in Portland, Oregon, PNCA entered into a series of notes receivable and notes payable under a historic tax credit and state and federal new market tax credits. The seven year compliance periods were completed for the historic and state new market tax credits and related notes were dispositioned prior to the merger, in September 2020 and January 2021, respectively. The seven year compliance period for the federal new market tax credit was completed in December 2021 and related notes were redeemed or dispositioned.

Notes Payable

PNCA Holdings has agreements with NTCIC-PNCA, LLC for two loans which were intended to constitute Federal Qualified Low Income Community Investment (QLICI) loans. PNCA Holdings was required to be and remain a Qualified Active Low-Income Community Business (QALICB) as such terms are defined in Section 45D of the Internal Revenue Code for the entire seven year period of the federal new market tax credit compliance period, which ended in December 2021, at which time these loans were transferred to the University and are eliminated in the consolidated financial statements.

- At June 30, 2023 and June 30, 2022, the outstanding balance of Federal Note A was \$3,712.
- At June 30, 2023 and June 30, 2022, the outstanding balance of Federal Note B was \$1,288.

Note Receivable

The University held a note receivable for \$3,712 from Chase NMTC PNCA Investment Fund, LLC (a subsidiary of JP Morgan Chase Bank). The note was transferred to PNCA Holdings after the federal new market tax credit compliance period ended and is eliminated in the consolidated financial statements.

WILLAMETTE UNIVERSITY

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NOTE 11 - BONDS PAYABLE

In July 2016 the University issued 2016 Series B bonds in the amount of \$21,255, and proceeds were used to refund Oregon Facilities Authority Series 2014 bonds and to finance a program to upgrade campus residential facilities. 2016 Series B bonds, which are unsecured, have annual principal and interest obligations ranging from \$808 to \$2,748 through October 2045, and bear interest at rates ranging from 3% to 5%. At June 30, 2023 and June 30, 2022 there were outstanding balances of \$21,255.

In May 2021, the University issued \$85,835 of Oregon Facilities Authority Revenue Bonds, secured by future revenues, in two series:

- 2021 Series A tax-exempt bonds in the amount of \$70,610 were issued, and proceeds were used to refund bonds from Oregon Facilities Authority 2010, 2016 Series A, and 2016 Series C bonds, and to finance campus improvements including deferred maintenance projects and facilities for new programs. Proceeds were also placed in trust and two loans assumed with the PNCA merger were paid in December 2021. 2021 Series A bonds have annual principal and interest obligations ranging from \$2,824 to \$9,799 through October 2051, and bear interest at 4%. At June 30, 2023 and June 30, 2022 the outstanding balance was \$70,610.
- 2021 Series B taxable bonds in the amount of \$15,225 were issued, and proceeds were used to create an investment fund for new programs. 2021 Series B bonds have annual principal and interest obligations ranging from \$624 to \$3,370 through October 2041, and bear interest at 4.1%. At June 30, 2023 and June 30, 2022 the outstanding balance was \$15,225.

Principal payments on bonds payable are as follows:

<u>Fiscal Years Ending June 30,</u>	<u>Payments</u>
2023-2024	\$ -
2024-2025	-
2025-2026	-
2026-2027	-
2027-2028	-
Thereafter	107,090
	<u>107,090</u>
Add unamortized bond premium, net of debt issuance costs	8,037
Bonds payable, net	<u><u>\$ 115,127</u></u>

Interest costs on bonds and notes payable for the years ended June 30, 2023 and June 30, 2022 was approximately \$3,799 and \$4,135, respectively, of which \$126 and \$117 was capitalized. Bonds are not subject to ongoing financial reporting covenants.

WILLAMETTE UNIVERSITY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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NOTE 12 - OTHER POSTRETIREMENT BENEFITS AND RELATED LIABILITY ESTIMATES

Full time continuing faculty members, administrators, and classified employees with 20 years or more of service are eligible for a voluntary severance arrangement upon reaching age 59 that provides cash payments until full Social Security retirement age, and University paid health and life insurance until the individual is eligible for Medicare coverage. In addition, all employees retiring from the University who were hired before January 1, 1983 are eligible for reimbursement of the actual cost of premiums for Medicare supplemental insurance up to \$125 per quarter.

Liability estimates are discounted from estimated future costs at 4.90% as of June 30, 2023 and 2.85% as of June 30, 2022. The voluntary severance payment estimate assumes an annual growth rate in compensation of 2.0% as of June 30, 2023 and June 30, 2022. At June 30, 2023, the assumed health care cost trend rate for the following year used to measure the expected cost of benefits covered by the plan was 5.0%. The ultimate cost trend rate as of June 30, 2023 is 3.90% which is expected to be reached in 2075.

Benefit payments by the University relating to the postretirement benefit plans were approximately \$617 and \$514 for the years ended June 30, 2023 and June 30, 2022, respectively. Service cost recognized as benefits expense in various functional categories was approximately \$356 and \$365 for the years ended June 30, 2023 and June 30, 2022, respectively.

Expected future payments of postretirement benefits are as follows:

<u>Fiscal Years Ending June 30,</u>	<u>Payments</u>
2023-2024	\$ 751
2024-2025	669
2025-2026	539
2026-2027	374
2027-2028	388
Thereafter	3,313
Total postretirement benefit obligations	<u>\$ 6,034</u>

The postretirement benefit liability is recorded in *Accounts payable and accrued liabilities* in the Statement of Financial Position.

NOTE 13 - NET ASSETS RELEASED FROM RESTRICTION

Net assets are released from donor restrictions by incurring expenses satisfying the restricted purposes, occurrence of events specified by the donors, changes in restrictions specified by the donors, or the passage of time. Net assets released from restriction during the years ended June 30, 2023 and June 30, 2022 are as follows:

	<u>2023</u>	<u>2022</u>
Endowed faculty and staff positions	\$ 2,859	\$ 2,320
Endowed facilities improvements	158	148
Other endowed funds	1,766	1,704
Sponsored research and grants	2,770	6,256
Other restricted funds	2,942	2,504
	<u>10,495</u>	<u>12,932</u>
Funded financial aid	7,838	6,099
Total net assets released from restrictions	<u>\$ 18,333</u>	<u>\$ 19,031</u>

WILLAMETTE UNIVERSITY
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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NOTE 14 - LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The University manages financial assets to be available for general expenditures, liabilities and other obligations as they come due. As of June 30, 2023 and June 30, 2022, financial assets available within one year are as follows:

	2023	2022
Cash and cash equivalents	\$ 5,809	\$ 8,342
Accounts receivable, net	4,591	4,806
Current non-endowed pledges receivable without donor restrictions	212	117
Investments for charitable gift annuities not held in required reserves	5,496	5,655
Investments for funds without donor restrictions functioning as endowment	39,221	45,017
Investments related to current appropriation of earnings for endowed funds	14,634	14,531
Financial assets available to meet cash needs for general expenditure within one year	<u>\$ 69,963</u>	<u>\$ 78,468</u>

Financial assets are considered unavailable when illiquid or not convertible to cash within one year. Other limitations on liquidity include state-mandated annuity reserves, trust assets, perpetual endowment principal and accumulated earnings net of appropriations within one year. Governing board designations for long-term investment, including funds functioning as endowment, are considered available because they may be drawn upon with Board approval.

NOTE 15 - FUNCTIONAL EXPENSES

Expenses are allocated to programs and organized by functional categories that correlate to the educational mission of the University. The table below presents natural categories of expenses and their allocation by functional category. Natural expenses are charged directly to the appropriate program where possible, and expenses attributable to more than one functional expense category are allocated using a variety of cost allocation techniques such as square footage and time and effort.

	Year ended June 30, 2023						
	Salaries and wages	Employee fringe benefits	Supplies and services	Plant ops and maint	Depreciation	Interest	Total
Instruction	\$ 22,932	6,714	2,729	1,598	2,856	1,584	38,413
Research	752	156	757	-	31	-	1,696
Academic support	9,405	2,725	6,300	712	1,397	139	20,678
Student services	8,633	2,566	4,730	671	798	174	17,572
Institutional support	8,540	2,932	9,296	222	254	893	22,137
Auxiliary enterprises	1,541	385	8,350	1,563	1,149	1,009	13,997
Total expenses	<u>\$ 51,803</u>	<u>15,478</u>	<u>32,162</u>	<u>4,766</u>	<u>6,485</u>	<u>3,799</u>	<u>\$ 114,493</u>

	Year ended June 30, 2022						
	Salaries and wages	Employee fringe benefits	Supplies and services	Plant ops and maint	Depreciation	Interest	Total
Instruction	\$ 22,284	7,210	2,859	1,678	2,844	1,813	38,688
Research	606	121	671	-	46	-	1,444
Academic support	8,962	2,900	6,120	628	1,468	282	20,360
Student services	7,476	2,442	6,848	764	775	192	18,497
Institutional support	8,311	1,550	7,032	232	245	826	18,196
Auxiliary enterprises	1,331	393	7,198	1,852	1,148	1,022	12,944
Total expenses	<u>\$ 48,970</u>	<u>14,616</u>	<u>30,728</u>	<u>5,154</u>	<u>6,526</u>	<u>4,135</u>	<u>\$ 110,129</u>

Advancement expenses of \$3,503 and \$4,099, exclusive of expenditures for alumni relations, included in general institutional support expenses, are fundraising expenses for the years ended June 30, 2023 and June 30, 2022, respectively.

WILLAMETTE UNIVERSITY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2023 (with comparative financial information as of June 30, 2022)
(in thousands)

NOTE 16 - RETIREMENT PLAN EXPENSE

The University has established a defined contribution retirement plan which provides retirement benefits to eligible personnel through Fidelity. The University's contributions are based on a percentage of participating employees' salaries and, along with employee contributions, are paid into the plan monthly. Retirement plan expense for the years ended June 30, 2023 and June 30, 2022 was approximately \$4,379 and \$4,032, respectively, and is recognized as benefits expense in various functional categories.

NOTE 17 - COMMITMENTS AND CONTINGENCIES

The University is subject to legal proceedings generally incidental to its business. Although the final outcome of any legal proceeding is subject to many variables and cannot be predicted with any degree of certainty, the University presently believes that the ultimate outcome resulting from these proceedings would not have a material effect on the University's financial position or results of operations.

NOTE 18 - RELATED PARTY TRANSACTIONS

Members of the University's Board of Trustees and senior management may, from time to time, be associated, either directly or indirectly, with companies doing business with the University. For senior management, the University requires annual disclosure of significant financial interests in, or employment or consulting relationships with, entities doing business with the University. These annual disclosures cover both senior management and their immediate family members. When such relationships exist, measures are taken to appropriately manage the actual or perceived conflict in the best interests of the University.

The University has a written conflict of interest policy that requires, among other things, that no member of the Board of Trustees can participate in any decision in which he or she (or an immediate family member) has a material financial interest. When such relationships exist, measures are taken to mitigate any actual or perceived conflict, including requiring that such transactions be conducted at arm's length, for good and sufficient consideration, based on terms that are fair and reasonable to and for the benefit of the University, and in accordance with applicable conflict of interest laws. No such associations are considered to be significant.

NOTE 19 - SUBSEQUENT EVENTS

Subsequent events are events or transactions that occur after the date of the consolidated statement of financial position but before consolidated financial statements are issued. The University recognizes in the consolidated financial statements the effects of all subsequent events that provide additional evidence about conditions that existed at the date of the statement of financial position, including the estimates inherent in the process of preparing the consolidated financial statements. The University's consolidated financial statements do not recognize subsequent events that provide evidence about conditions that did not exist at the date of the statement of financial position but arose after the date of the consolidated statement of financial position and before consolidated financial statements are issued.

Subsequent events have been evaluated through October 16, 2023, which corresponds to the date when the financial statements were issued.

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