



# 2021 Financial Report

WITH SUPPLEMENTAL INFORMATION



WILLAMETTE  
UNIVERSITY

*Non Nobis  
Solum  
Nati Sumus*

Not Unto  
Ourselves  
Alone  
Are We Born

**WILLAMETTE UNIVERSITY**  
**2021 FINANCIAL REPORT WITH SUPPLEMENTAL INFORMATION**

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June 30, 2021

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## Report of Independent Auditors

The Board of Trustees  
Willamette University

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

We have audited the accompanying consolidated financial statements of Willamette University (the University), which comprise the consolidated statements of financial position as of June 30, 2021 and May 31, 2020, and the related consolidated statements of activities and cash flows for the thirteen month period ended June 30, 2021 and the year ended May 31, 2020, and the related notes to the consolidated financial statements.

### ***Management's Responsibility for the Consolidated Financial Statements***

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

### ***Auditor's Responsibility***

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. 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 audits to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control 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 control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

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

## **Opinion**

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Willamette University as of June 30, 2021 and May 31, 2020, and the changes in its net assets and its cash flows for the thirteen month period ended June 30, 2021 and the year ended May 31, 2020, in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Report on Summarized Comparative Information*

We have previously audited the University's 2020 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 21, 2020. In our opinion, the summarized comparative information presented herein as of and for the year ended May 31, 2020 is consistent, in all material respects, with the audited financial statements from which it has been derived.

### *Supplementary Information*

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and the financial responsibility ratios are presented for purposes of additional analysis and are not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

## **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated November 15, 2021, on our consideration of the University's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the University's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the University's internal control over financial reporting and compliance.

*Moss Adams LLP*

Portland, Oregon  
November 15, 2021

**WILLAMETTE UNIVERSITY**  
**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

June 30, 2021 (with comparative financial information as of May 31, 2020)  
(in thousands)

|  | 2021              | 2020              |
|--|-------------------|-------------------|
| <b>ASSETS</b>  |                   |                   |
| Cash and cash equivalents                                | \$ 22,814         | \$ 24,598         |
| Cash and cash equivalents in bond trust accounts         | 37,993            | 305               |
| Accounts receivable, net                                 | 2,109             | 3,835             |
| Prepaid expenses and other assets                        | 4,813             | 842               |
| Pledges receivable, net                                  | 5,428             | 2,254             |
| Student loans receivable                                 | 3,319             | 4,525             |
| Investments  | 376,697           | 268,622           |
| Beneficial interest in trusts held by others             | 6,791             | 3,166             |
| Operating lease right of use assets                      | 14,456            | -                 |
| Plant facilities, net                                    | 165,042           | 135,585           |
| <b>Total assets</b>                                      | <b>\$ 639,462</b> | <b>\$ 443,732</b> |
| <br><b>LIABILITIES AND NET ASSETS</b>                    |                   |                   |
| <b>Liabilities:</b>                                      |                   |                   |
| Accounts payable and accrued liabilities                 | \$ 19,192         | \$ 18,944         |
| Deferred revenues  | 2,270             | 2,000             |
| Annuities and trusts payable                             | 14,748            | 13,330            |
| Operating lease liabilities                              | 14,456            | -                 |
| Notes payable  | 11,874            | -                 |
| Bonds payable, net                                       | 115,791           | 64,560            |
| Government advances for student loans                    | 3,974             | 4,976             |
| <b>Total liabilities</b>                                 | <b>182,305</b>    | <b>103,810</b>    |
| <b>Net Assets:</b>                                       |                   |                   |
| Without donor restrictions:                              |                   |                   |
| Available for operations                                 | 36,404            | 28,738            |
| Charitable gift annuity funds                            | 810               | 591               |
| Invested in plant facilities                             | 91,091            | 69,317            |
| <b>Total net assets without donor restrictions</b>       | <b>128,305</b>    | <b>98,646</b>     |
| With donor restrictions:                                 |                   |                   |
| Unexpended funds received for specific purposes          | 13,505            | 11,014            |
| Trust and annuity funds                                  | 11,976            | 8,382             |
| Accumulated undistributed endowment gains                | 128,799           | 61,676            |
| Funds with purpose restrictions functioning as endowment | 1,236             | 1,030             |
| Endowment funds restricted in perpetuity                 | 168,186           | 157,331           |
| Endowment funds held in perpetual trust by others        | 5,150             | 1,843             |
| <b>Total net assets with donor restrictions</b>          | <b>328,852</b>    | <b>241,276</b>    |
| <b>Total net assets</b>                                  | <b>457,157</b>    | <b>339,922</b>    |
| <b>Total liabilities and net assets</b>                  | <b>\$ 639,462</b> | <b>\$ 443,732</b> |

**WILLAMETTE UNIVERSITY**  
**CONSOLIDATED STATEMENT OF ACTIVITIES**

For the thirteen months ended June 30, 2021 (with summarized comparative financial information for the year ended May 31, 2020)  
(in thousands)

|  | 2021                       |                         |                | 2020            |
|--|----------------------------|-------------------------|----------------|-----------------|
|  | Without Donor Restrictions | With Donor Restrictions | Total          | Total           |
| <b>Revenues:</b>                                 |                            |                         |                |                 |
| Tuition and fees                                 | \$ 93,829                  | \$ -                    | \$ 93,829      | \$ 99,793       |
| Less student scholarships                        | (41,568)                   | (6,809)                 | (48,377)       | (49,010)        |
| Net tuition and fees                             | 52,261                     | (6,809)                 | 45,452         | 50,783          |
| Room and board fees                              | 8,927                      | -                       | 8,927          | 12,392          |
| Contributions                                    | 1,343                      | 9,298                   | 10,641         | 12,646          |
| Endowment income distributed                     | 4,558                      | 9,635                   | 14,193         | 14,136          |
| Auxiliary enterprises                            | 149                        | -                       | 149            | 678             |
| Grant revenues                                   | -                          | 5,129                   | 5,129          | 2,443           |
| Other revenues                                   | 1,573                      | 571                     | 2,144          | 2,062           |
| Net assets released from restrictions            | 11,510                     | (11,510)                | -              | -               |
| <b>Total revenues</b>                            | <b>80,321</b>              | <b>6,314</b>            | <b>86,635</b>  | <b>95,140</b>   |
| <b>Expenses:</b>                                 |                            |                         |                |                 |
| Salaries and wages                               | 41,884                     | -                       | 41,884         | 45,110          |
| Employee fringe benefits                         | 12,198                     | -                       | 12,198         | 14,654          |
| Supplies and services                            | 20,623                     | -                       | 20,623         | 19,958          |
| Plant operations and maintenance                 | 3,274                      | -                       | 3,274          | 2,887           |
| Depreciation                                     | 6,092                      | -                       | 6,092          | 5,706           |
| Interest   | 2,588                      | -                       | 2,588          | 2,049           |
| <b>Total expenses</b>                            | <b>86,659</b>              | <b>-</b>                | <b>86,659</b>  | <b>90,364</b>   |
| <b>Change in net assets before other changes</b> | <b>(6,338)</b>             | <b>6,314</b>            | <b>(24)</b>    | <b>4,776</b>    |
| <b>Other changes in net assets:</b>              |                            |                         |                |                 |
| Endowment returns, net of distributions          | 8,182                      | 64,027                  | 72,209         | (17,977)        |
| Adjustment related to annuities and trusts       | 278                        | 3,956                   | 4,234          | (587)           |
| Post retirement benefits liability adjustment    | (94)                       | -                       | (94)           | (1,851)         |
| Loss on extinguishment of debt                   | (143)                      | -                       | (143)          | -               |
| Inherent contribution - Pacific Northwest        |                            |                         |                |                 |
| College of Art                                   | 28,058                     | 12,995                  | 41,053         | -               |
| Adjustments to restricted pledges                | -                          | -                       | -              | (36)            |
| Other  | (284)                      | 284                     | -              | -               |
| <b>Change in net assets</b>                      | <b>29,659</b>              | <b>87,576</b>           | <b>117,235</b> | <b>(15,675)</b> |
| Net assets at beginning of year                  | 98,646                     | 241,276                 | 339,922        | 355,597         |
| Net assets at end of year                        | \$ 128,305                 | \$ 328,852              | \$ 457,157     | \$ 339,922      |



**WILLAMETTE UNIVERSITY**  
**CONSOLIDATED STATEMENT OF CASH FLOWS**

For the thirteen months ended June 30, 2021 (with comparative financial information for the year ended May 31, 2020)  
(in thousands)

|   | 2021             | 2020             |
|---|------------------|------------------|
| <b>Cash flows from operating activities:</b>  |                  |                  |
| Cash received from tuition, fees, room and board  | \$ 57,224        | \$ 64,092        |
| Cash received from contributions and grants   | 7,547            | 7,356            |
| Cash investment returns   | 730              | 507              |
| Miscellaneous receipts  | 841              | 1,515            |
| Payments for employees and benefits   | (55,626)         | (60,436)         |
| Payments to vendors   | (25,281)         | (24,566)         |
| Cash paid for interest on bonds, net of amounts capitalized   | (2,455)          | (2,087)          |
| <b>Net change in cash from operating activities</b>   | <u>(17,020)</u>  | <u>(13,619)</u>  |
| <b>Cash flows from investing activities:</b>  |                  |                  |
| Cash received from inherent contribution - Pacific Northwest College of Art (PNCA)  | 4,990            | -                |
| Purchases of investments  | (42,482)         | (6,272)          |
| Proceeds from maturities/sales of investments   | 37,151           | 15,922           |
| Purchases of plant facilities   | (1,915)          | (2,469)          |
| <b>Net change in cash from investing activities</b>   | <u>(2,256)</u>   | <u>7,181</u>     |
| <b>Cash flows from financing activities:</b>  |                  |                  |
| Cash contributions restricted for:  |                  |                  |
| Investment in endowment   | 3,906            | 8,346            |
| Investment in plant facilities  | 326              | 647              |
| Investment subject to annuity and trust agreements  | 799              | 143              |
| Proceeds from issuance of bonds at stated value   | 85,835           | -                |
| Premium on bonds issued   | 9,256            | -                |
| Bonds paid or defeased with proceeds from new bonds   | (40,915)         | -                |
| Payments for bond issuance costs  | (1,530)          | -                |
| Principal payments on bonds payable   | (1,495)          | (1,455)          |
| Change in government advances for student loans   | (1,002)          | (1,892)          |
| <b>Net change in cash from financing activities</b>   | <u>55,180</u>    | <u>5,789</u>     |
| <b>Net change in cash and cash equivalents</b>  | 35,904           | (649)            |
| Total beginning cash and cash equivalents and restricted cash and cash equivalents  | <u>24,903</u>    | <u>25,552</u>    |
| Total ending cash and cash equivalents and restricted cash and cash equivalents   | <u>\$ 60,807</u> | <u>\$ 24,903</u> |
| <b>Reconciliation of cash and cash equivalents and restricted cash and cash equivalents to statement of financial position:</b> |                  |                  |
| Cash and cash equivalents   | \$ 22,814        | \$ 24,598        |
| Cash and cash equivalents in bond trust accounts  | 37,993           | 305              |
| Total ending cash and cash equivalents and restricted cash and cash equivalents   | <u>\$ 60,807</u> | <u>\$ 24,903</u> |
| <b>Supplemental disclosure of noncash investing and financing activities</b>  |                  |                  |
| Receipt of investments from merger with PNCA  | \$ 9,027         | \$ -             |
| Receipt of beneficial interest in trusts held by others from merger with PNCA   | 3,016            | -                |
| Receipt of right of use assets with operating lease liabilities from merger with PNCA   | 14,456           | -                |
| Receipt of plant facilities from merger with PNCA   | 33,581           | -                |
| Assumption of notes payable from merger with PNCA   | 11,874           | -                |

# WILLAMETTE UNIVERSITY

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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June 30, 2021 (with comparative financial information as of May 31, 2020)  
(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.

#### ***Change in fiscal year end***

The University has changed its fiscal year end, so the current fiscal period is a thirteen month period, beginning June 1, 2020 and ending June 30, 2021.

#### ***Pacific Northwest College of Art Merger***

On June 30, 2021 the Pacific Northwest College of Art (PNCA) in Portland, Oregon, merged into the University, with the University as the surviving entity. The merger supports the University's vision of growth by adding complementary schools and programs within the university structure and pursuing collaborative and cross-disciplinary opportunities. PCNA is now the University's fourth college, alongside the College of Arts and Sciences, the College of Law, and the Atkinson Graduate School of Management. PNCA will become an integrated part of the University, retaining its name, identity, faculty, and campus in Portland while supporting services of both organizations have been combined to realize efficiencies.

No consideration was transferred as a result of this merger, and the University recorded an inherent contribution of \$41,053. In accordance with Accounting Standards Codification (ASC) 958-805, Not-for-Profit Mergers and Acquisitions, the combination was accounted for on the acquisition basis of accounting for the fiscal period ended June 30, 2021, in which the assets and liabilities were recorded on the University's consolidated statement of financial position at fair value. The merger took place at the end of the last day of the fiscal period, and PNCA activities are accordingly not reflected on the statement of activities for the fiscal period ended June 30, 2021.

The following table summarizes the fair value of the merged assets and liabilities:

|  |                  |
|--|------------------|
| Cash and cash equivalents  | \$ 4,230         |
| Cash and cash equivalents held in trust                          | 760              |
| Accounts receivable and other assets                             | 4,036            |
| Investments  | 9,027            |
| Beneficial interest in trusts held by others                     | 3,016            |
| Operating lease right of use assets                              | 14,456           |
| Plant facilities   | 33,581           |
| Less: Accounts payable, accrued liabilities and deferred revenue | (1,723)          |
| Less: Operating lease liabilities                                | (14,456)         |
| Less: Notes payable  | (11,874)         |
| Inherent contribution  | <u>\$ 41,053</u> |

#### ***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 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.

# WILLAMETTE UNIVERSITY

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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June 30, 2021 (with comparative financial information as of May 31, 2020)  
(in thousands)

### NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: *Continued*

*PNCA Holdings, LLC* (PNCA Holdings) was part of the 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 is expected to end in December 2021, and PNCA Holdings will unwind the financial assets related to the tax credits.

*PNCA Master Tenant, LLC* (PNCA Master Tenant) was part of the 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 outsource 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 a experiential learning program operated by the University's Atkinson Graduate School of Management which 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 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.

#### ***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 and gains and losses on investments 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, and adjustments to restricted pledges. Certain other gains and losses that do not occur in the normal course of operations are also included in other changes in net assets.

# WILLAMETTE UNIVERSITY

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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June 30, 2021 (with comparative financial information as of May 31, 2020)  
(in thousands)

### **NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: *Continued***

The statement of activities includes comparative summarized information for the year ended May 31, 2020. 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 May 31, 2020, 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 account receivables 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.

#### ***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. Instead, revenue is recognized like a conditional contribution – until the barrier to entitlement is overcome. The barrier to entitlement is considered overcome when expenditures associated with each grant are determined to be allowable and all other significant conditions of the grant are met.

#### ***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. 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.

# WILLAMETTE UNIVERSITY

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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June 30, 2021 (with comparative financial information as of May 31, 2020)  
(in thousands)

### NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: *Continued*

#### *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.

#### *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.

#### *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.



# WILLAMETTE UNIVERSITY

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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June 30, 2021 (with comparative financial information as of May 31, 2020)  
(in thousands)

### NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: *Continued*

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                       | 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 (collections). Depreciation is not recorded on the art collection. Proceeds from the sale of deaccessioned items are used for acquisition or direct care of 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 elected the following practical expedients: not reassessing past lease accounting, and using 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.

#### ***Recently Adopted Accounting Pronouncements***

The University adopted Accounting Standards Update (ASU) No. 2016-02, *Leases (Topic 842)* effective June 1, 2020. The University elected to adopt the transition relief provisions from ASU 2018-11 and record the impact of adoption as of June 1, 2020 without restating any prior year amounts. There was no cumulative effect adjustment to the opening balance of net assets required. Additional lease disclosures can be found in Note 9.

The University adopted ASU No. 2019-03, *Not-for-Profit Entities (Topic 958): Updating the Definition of Collections*. This guidance was issued to improve the definition of collections, eliminate diversity in practice and enhance disclosures. The University's disclosure of its policy on collections has been updated in Note 1.

# WILLAMETTE UNIVERSITY

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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June 30, 2021 (with comparative financial information as of May 31, 2020)  
(in thousands)

### NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: *Continued*

The University adopted ASU No. 2018-13, *Fair Value Measurement (Topic 820): Disclosure Framework – Changes to the Disclosure Requirements for Fair Value Measurement*. This guidance is intended to improve the effectiveness of disclosures in the notes to the financial statements by facilitating clear communication of the information required that is most important to users of the financial statements. The standard modifies the disclosure requirements on fair value measurements, including streamlining disclosures related to transfers between Level 1 and Level 2 classifications, and simplifying disclosures for Level 3 assets and liabilities. The University's fair value disclosures in Note 5 reflect these changes.

#### **Recent Accounting Pronouncements**

In July 2020, the FASB issued ASU 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets*. This guidance was issued to provide a clearer understanding of the type of nonfinancial assets received and how they are used and recognized in the financial statements. The standard is to be applied on a retrospective basis for fiscal years beginning after June 15, 2021, and early adoption is permitted. The University is currently assessing the standard, and does not expect the impact to be material to the financial statements as a whole.

#### **Reclassifications**

Certain amounts from the prior year have been reclassified to conform to current year presentation.

### NOTE 2 - ACCOUNTS RECEIVABLE

At June 30, 2021 and May 31, 2020 accounts receivable are as follows:

|   | 2021     | 2020     |
|---|----------|----------|
| Student accounts                                | \$ 2,369 | \$ 1,092 |
| Student accounts due from a third party sponsor | 601      | 579      |
| Student accounts in collections                 | 887      | 786      |
| Federal student loans pending drawdown          | 356      | 1,976    |
| Other receivables                               | 469      | 13       |
|   | 4,682    | 4,446    |
| Less: allowance for doubtful accounts           | (2,573)  | (611)    |
| Accounts receivable, net                        | \$ 2,109 | \$ 3,835 |

### NOTE 3 – PLEDGES RECEIVABLE

The University records pledges receivable at the present value of estimated future cash flows using discount rates ranging from 0.22% to 4.90% for pledges receivable outstanding at June 30, 2021 and May 31, 2020. Annual payments are scheduled to be received as follows:

|                                    | 2021     | 2020     |
|------------------------------------|----------|----------|
| Less than one year                 | \$ 2,020 | \$ 1,453 |
| One to five years                  | 3,322    | 903      |
| More than five years               | 236      | 20       |
|                                    | 5,578    | 2,376    |
| Less:                              |          |          |
| Discount                           | (45)     | (22)     |
| Reserve for uncollectible accounts | (105)    | (100)    |
| Pledges receivable, net            | \$ 5,428 | \$ 2,254 |

As of June 30, 2021, the amount for which grants were awarded but conditions required for recognition not yet met, typically when qualified expenditures are incurred, was \$1,934.

# WILLAMETTE UNIVERSITY

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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June 30, 2021 (with comparative financial information as of May 31, 2020)  
(in thousands)

### 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 \$3,301 and \$4,498 as of June 30, 2021 and May 31, 2020.

Funds held in the Federal Perkins Loan programs of \$3,974 and \$4,976 are ultimately refundable to the government and are classified as a liability in the statement of financial position as of June 30, 2021 and May 31, 2020.

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 \$516 and \$759 as of June 30, 2021 and May 31, 2020.

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.

### NOTE 5 - INVESTMENTS

Investments at June 30, 2021 and May 31, 2020 are as follows:

|   | 2021       | 2020       |
|---|------------|------------|
| Multi-strategy limited partnership investment fund              | \$ 315,616 | \$ 245,845 |
| Balanced stock/fixed income limited partnership investment fund | 22,233     | 647        |
| Money market funds  | 11,550     | 149        |
| Fixed income securities   | 2,836      | 3,038      |
| Equity and real asset funds                                     | 8,657      | 5,836      |
| Other investments   | 15,805     | 13,107     |
| Total investments   | \$ 376,697 | \$ 268,622 |

**(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.

# WILLAMETTE UNIVERSITY

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2021 (with comparative financial information as of May 31, 2020)  
(in thousands)

### NOTE 5 - INVESTMENTS *Continued*

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, 2021 and May 31, 2020:

|   | 2021 | 2020 |
|---|------|------|
| Public equity managers and listed investments         | 31%  | 34%  |
| Alternative investment vehicles and other real assets | 56%  | 53%  |
| Fixed income, cash and cash equivalents, and other    | 13%  | 13%  |
|   | 100% | 100% |

The University's investments and other assets by major category in the fair value hierarchy as of June 30, 2021 and May 31, 2020 are as follows:

|   | Total      | Level 1 | Level 2 | Level 3 |
|---|------------|---------|---------|---------|
|   | 2021       |         |         |         |
| Beneficial interest in trusts held by others (a)            | \$ 6,791   | -       | -       | 6,791   |
| Investments in the fair value hierarchy:                    |            |         |         |         |
| Money market funds  | 11,550     | 11,550  | -       | -       |
| Fixed income securities                                     | 2,836      | 2,836   | -       | -       |
| Stocks, equity and real asset funds                         | 8,657      | 7,882   | -       | 775     |
| Other: charitable remainder trusts (b)                      | 15,805     | 15,805  | -       | -       |
| Total   | 38,848     | 38,073  | -       | 775     |
| Investments measured at net asset value:                    |            |         |         |         |
| Multi-strategy limited partnership (LP) investment fund (c) | 315,616    |         |         |         |
| Balanced stock/fixed income LP investment fund (d)          | 22,233     |         |         |         |
| Total investments   | 376,697    | 38,073  | -       | 775     |
| Total assets  | \$ 383,488 | 38,073  | -       | 7,566   |
|   | 2020       |         |         |         |
| Beneficial interest in trusts held by others (a)            | \$ 3,166   | -       | -       | 3,166   |
| Investments in the fair value hierarchy:                    |            |         |         |         |
| Money market funds  | 149        | 149     | -       | -       |
| Fixed income securities                                     | 3,038      | 3,038   | -       | -       |
| Stocks, equity and real asset funds                         | 5,836      | 5,131   | -       | 705     |
| Other: charitable remainder trusts (b)                      | 13,107     | 13,107  | -       | -       |
| Total   | 22,130     | 21,425  | -       | 705     |
| Investments measured at net asset value:                    |            |         |         |         |
| Multi-strategy limited partnership (LP) investment fund (c) | 245,845    |         |         |         |
| Balanced stock/fixed income LP investment fund (d)          | 647        |         |         |         |
| Total investments   | 268,622    | 21,425  | -       | 705     |
| Total assets  | \$ 271,788 | 21,425  | -       | 3,871   |

# WILLAMETTE UNIVERSITY

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2021 (with comparative financial information as of May 31, 2020)  
(in thousands)

### NOTE 5 - INVESTMENTS *Continued*

- (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 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.

The liquidity profile for the multi-strategy limited partnership investment fund is actively managed to maintain sufficient liquidity for limited partners. At June 30, 2021 and May 31, 2020, 53.5% and 66.6% of the fund was convertible to cash within one year and three

Investment liquidity as of June 30, 2021 is aggregated below based on expected redemption or sale period:

|            | Investments fair values |
|------------|-------------------------|
| Daily      | \$ 22,268               |
| Monthly    | 22,233                  |
| Biannually | 315,616                 |
| Illiquid   | 16,580                  |
|            | \$ 376,697              |

Activities for investments classified in Level 3 for the fiscal periods ended June 30, 2021 and May 31, 2020 are as follows:

|  | Fiscal Periods Ended                            |                           |       |   |                           |       |
|--|---|---------------------------|-------|---|---------------------------|-------|
|  | June 30, 2021                                   |                           |       | May 31, 2020                                    |                           |       |
|  | Beneficial<br>interest-trusts<br>held by others | Stock and<br>equity funds | Total | Beneficial<br>interest-trusts<br>held by others | Stock and<br>equity funds | Total |
| Beginning balances                         | \$ 3,166  | 705                       | 3,871 | \$ 3,173  | 639                       | 3,812 |
| Net realized and unrealized gains (losses) | 609   | (5)                       | 604   | (7)   | -                         | (7)   |
| Additions                                  | 3,016   | 75                        | 3,091 | -   | 75                        | 75    |
| Proceeds                                   | -   | -                         | -     | -   | (9)                       | (9)   |
| Transfers between levels                   | -   | -                         | -     | -   | -                         | -     |
| Ending balances                            | \$ 6,791  | 775                       | 7,566 | \$ 3,166  | 705                       | 3,871 |

### NOTE 6 - ENDOWMENT AND FUNDS FUNCTIONING AS ENDOWMENT

As of June 30, 2021, 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.



**WILLAMETTE UNIVERSITY**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

June 30, 2021 (with comparative financial information as of May 31, 2020)  
(in thousands)

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

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.

***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, 2021 and May 31, 2020:

|   | 2021                       |                         |                | 2020                       |                         |                |
|---|----------------------------|-------------------------|----------------|----------------------------|-------------------------|----------------|
|   | Without donor restrictions | With donor restrictions | Total          | Without donor restrictions | With donor restrictions | Total          |
| Funds functioning as endowment          | \$ 51,633                  | 1,236                   | 52,869         | \$ 27,845                  | 1,030                   | 28,875         |
| Accumulated endowment gains             | -                          | 128,799                 | 128,799        | -                          | 61,676                  | 61,676         |
| Funds restricted in perpetuity          | -                          | 168,186                 | 168,186        | -                          | 157,331                 | 157,331        |
| Funds held in perpetual trust by others | -                          | 5,150                   | 5,150          | -                          | 1,843                   | 1,843          |
| Total endowment net assets              | <u>51,633</u>              | <u>303,371</u>          | <u>355,004</u> | <u>27,845</u>              | <u>221,880</u>          | <u>249,725</u> |
| Less perpetual trusts held by others    | -                          | (5,150)                 | (5,150)        | -                          | (1,843)                 | (1,843)        |
| Less endowment pledges receivable       | -                          | (3,394)                 | (3,394)        | -                          | (1,331)                 | (1,331)        |
| Add custodial funds invested            | 480                        | -                       | 480            | 444                        | -                       | 444            |
| Pooled endowment investment funds       | <u>\$ 52,113</u>           | <u>294,827</u>          | <u>346,940</u> | <u>\$ 28,289</u>           | <u>218,706</u>          | <u>246,995</u> |

Changes in endowment net assets for the fiscal periods ended June 30, 2021 and May 31, 2020 are as follows:

|                                   | 2021                       |                         |                | 2020                       |                         |                |
|-----------------------------------|----------------------------|-------------------------|----------------|----------------------------|-------------------------|----------------|
|                                   | Without donor restrictions | With donor restrictions | Total          | Without donor restrictions | With donor restrictions | Total          |
| Beginning endowment net assets    | \$ 27,845                  | 221,880                 | 249,725        | \$ 29,155                  | 228,988                 | 258,143        |
| Net investment returns            | 9,982                      | 76,420                  | 86,402         | (460)                      | (3,381)                 | (3,841)        |
| Contributions                     | -                          | 3,906                   | 3,906          | 43                         | 8,670                   | 8,713          |
| Bequests deposited to quasi       | 77                         | 626                     | 703            | -                          | -                       | -              |
| Appropriation for expenditure     | (1,800)                    | (12,393)                | (14,193)       | (1,869)                    | (12,267)                | (14,136)       |
| Other changes:                    |                            |                         |                |                            |                         |                |
| Inherent contribution PNCA        | -                          | 12,235                  | 12,235         | -                          | -                       | -              |
| Annuity and trust maturities      | -                          | 1,263                   | 1,263          | -                          | -                       | -              |
| Board directed quasi transfer     | 15,000                     | -                       | 15,000         | -                          | -                       | -              |
| Other quasi transfers             | -                          | -                       | -              | 781                        | 45                      | 826            |
| Adjustments to restricted pledges | -                          | -                       | -              | -                          | (35)                    | (35)           |
| Release purpose-restricted quasi  | 496                        | (496)                   | -              | 193                        | (193)                   | -              |
| Other                             | 33                         | (70)                    | (37)           | 2                          | 53                      | 55             |
| Ending endowment net assets       | <u>\$ 51,633</u>           | <u>303,371</u>          | <u>355,004</u> | <u>\$ 27,845</u>           | <u>221,880</u>          | <u>249,725</u> |

**WILLAMETTE UNIVERSITY**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

June 30, 2021 (with comparative financial information as of May 31, 2020)  
(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. The University is implementing a multi-year plan to lower the higher established spending rates for funds that existed prior to adoption of the current policy to 4.5% by the 2021-2022 fiscal year. In addition, a special appropriation was applied to funds generating revenue without donor restrictions and budget-relieving revenue for the year ended May 31, 2020. The average rate applied to funds in the spending formula was 5.85% and 5.86%, respectively, for the fiscal periods ended June 30, 2021 and May 31, 2020. The effective spending rate (calculated as current spending distributions net of reinvestments and recapture divided by the fair market value of endowment investments at the beginning of the year) was 5.75% and 5.58%, respectively, for the fiscal periods ended June 30, 2021 and May 31, 2020.

***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 \$36 and \$8,416 as of June 30, 2021 and May 31, 2020, 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, 2021 and May 31, 2020:

|  | 2021              |                           |                | 2020              |                           |                |
|--|-------------------|---------------------------|----------------|-------------------|---------------------------|----------------|
|  | Original gift     | Cumulative gains/(losses) | Market Value   | Original gift     | Cumulative gains/(losses) | Market Value   |
| Underwater funds restricted in perpetuity                | \$ 2,488          | (36)                      | 2,452          | \$ 79,722         | (8,416)                   | 71,306         |
| Other funds restricted in perpetuity                     | 162,304           | 128,835                   | 291,139        | 76,278            | 70,092                    | 146,370        |
| Funds with purpose restrictions functioning as endowment | 1,236             | -                         | 1,236          | 1,030             | -                         | 1,030          |
| Total donor-restricted endowment pool                    | <u>\$ 166,028</u> | <u>128,799</u>            | <u>294,827</u> | <u>\$ 157,030</u> | <u>61,676</u>             | <u>218,706</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 as of June 30, 2021 and May 31, 2020 are reflected below:

|  | 2021             | 2020              |
|--|------------------|-------------------|
| Net change in investment value                                       | \$ 87,915        | \$ (2,553)        |
| Investment fees and other  | (1,513)          | (1,288)           |
| Total endowment investments return                                   | <u>\$ 86,402</u> | <u>\$ (3,841)</u> |
| Endowment investments return included in revenues                    | 14,193           | 14,136            |
| Endowment investments return included in other changes in net assets | 72,209           | (17,977)          |
| Total endowment investments return                                   | <u>\$ 86,402</u> | <u>\$ (3,841)</u> |

**WILLAMETTE UNIVERSITY**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

June 30, 2021 (with comparative financial information as of May 31, 2020)  
(in thousands)

**NOTE 7 - CHARITABLE GIFT ANNUITIES AND REMAINDER TRUSTS**

Charitable gift annuities and remainder trusts consist of the following at June 30, 2021 and May 31, 2020:

|  | 2021                      |                  |               | 2020                      |                  |               |
|--|---------------------------|------------------|---------------|---------------------------|------------------|---------------|
|  | Charitable gift annuities | Remainder trusts | Total         | Charitable gift annuities | Remainder trusts | Total         |
| Assets:  |                           |                  |               |                           |                  |               |
| Investments:   |                           |                  |               |                           |                  |               |
| Money market and fixed income                                      | \$ 2,932                  | -                | 2,932         | \$ 3,016                  | -                | 3,016         |
| Equity and real asset strategies                                   | 7,156                     | -                | 7,156         | 4,856                     | -                | 4,856         |
| Charitable remainder trusts  | -                         | 15,805           | 15,805        | -                         | 13,107           | 13,107        |
| Beneficial interest in remainder trusts held by others             | -                         | 1,641            | 1,641         | -                         | 1,324            | 1,324         |
| Total assets   | <u>\$ 10,088</u>          | <u>17,446</u>    | <u>27,534</u> | <u>\$ 7,872</u>           | <u>14,431</u>    | <u>22,303</u> |
| Liabilities and net assets:  |                           |                  |               |                           |                  |               |
| Annuities and trusts payable                                       | 4,823                     | 9,925            | 14,748        | 5,060                     | 8,270            | 13,330        |
| Net assets without donor restrictions                              | 810                       | -                | 810           | 591                       | -                | 591           |
| Net assets with donor restrictions                                 | 4,455                     | 7,521            | 11,976        | 2,221                     | 6,161            | 8,382         |
| Total liabilities and net assets                                   | <u>\$ 10,088</u>          | <u>17,446</u>    | <u>27,534</u> | <u>\$ 7,872</u>           | <u>14,431</u>    | <u>22,303</u> |
| Gift portion of new annuities and trusts included in contributions | <u>\$ -</u>               | <u>799</u>       | <u>799</u>    | <u>\$ -</u>               | <u>143</u>       | <u>143</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. Amounts set aside in segregated reserve accounts totaled \$3,297 and \$2,983 at June 30, 2021 and 2020, respectively.

**NOTE 8 - PLANT FACILITIES, NET**

Plant facilities consist of the following at June 30, 2021 and May 31, 2020:

|                                     | 2021              | 2020              |
|-------------------------------------|-------------------|-------------------|
| Land                                | \$ 8,660          | \$ 8,660          |
| Campus improvements                 | 15,923            | 15,923            |
| Buildings and building improvements | 212,909           | 181,276           |
| Furniture, fixtures and equipment   | 9,152             | 8,490             |
| Library holdings                    | 40,363            | 39,853            |
| Art collection                      | 8,543             | 6,144             |
| Construction in progress            | 921               | 877               |
| Plant facilities                    | <u>296,471</u>    | <u>261,223</u>    |
| Accumulated depreciation            | (131,429)         | (125,638)         |
| Plant facilities, net               | <u>\$ 165,042</u> | <u>\$ 135,585</u> |

The University recorded depreciation expense of \$6,092 and \$5,706, respectively, during the fiscal periods ended June 30, 2021 and May 31, 2020.

**NOTE 9 - LEASES**

The University leases facilities and equipment under noncancelable operating lease agreements expiring through May 2030. These include one new operating lease for facilities whose inception was during the fiscal period ended June 30, 2021, and several operating leases for facilities and equipment that were assumed with the PNCA merger. At this time there are no financing leases. Total rental expense for the fiscal periods ended June 30, 2021 and May 31, 2020 was \$714 and \$610, respectively.

# WILLAMETTE UNIVERSITY

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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June 30, 2021 (with comparative financial information as of May 31, 2020)  
(in thousands)

### NOTE 9 - LEASES *Continued*

Expected future aggregate minimum lease payments are as follows:

| <u>Fiscal Years Ending June 30,</u>                    | <u>Payments</u>  |
|--|------------------|
| 2021-2022  | \$ 2,079         |
| 2022-2023  | 2,141            |
| 2023-2024  | 2,205            |
| 2024-2025  | 2,235            |
| 2025-2026  | 2,205            |
| Thereafter   | 4,027            |
| Total expected future aggregate minimum lease payments | <u>\$ 14,892</u> |

### 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 historic and state new market tax credits have completed their seven year compliance periods and related notes were redeemed or forgiven in September 2020 and January 2021, respectively. The following notes relate to the federal new market tax credit, and are expected to be paid or redeemed or forgiven in December 2021 when the seven year compliance period for the federal new market tax credits ends.

#### *Notes Payable*

The University assumed a note payable to Prosper Portland (formerly Portland Development Commission) with the PNCA merger. The note is payable in monthly installments of \$21,962 including interest at 6.00% per annum through June 2022. The outstanding balance at June 30, 2021 was 3,375. The note is secured by a note receivable from Chase NMTC PNCA Investment Fund, LLC. The University has funds on deposit with the bond trustee to fully repay this note in December 2021 after the federal new market tax credit compliance period ends.

PNCA Holdings has a note payable to Prosper Portland. The note is payable in monthly installments of \$20,925 including interest at 6% per annum through February 2022. The outstanding balance at June 30, 2021 was 3,499. The University has funds on deposit with the bond trustee to fully repay this note in December 2021 after the federal new market tax credit compliance period ends.

PNCA Holdings has agreements with NTCIC-PNCA, LLC for two loans which are intended to constitute Federal Qualified Low Income Community Investment (QLICI) loans. PNCA Holdings must 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 ends in December 2021, at which time these loans are expected to be forgiven by the lenders with the end of the federal new market tax credit compliance period.

- Federal Note A requires annual interest payments at 2.30% per annum through December 2021. The notes are secured by property and guaranteed by the University. At June 30, 2021 the outstanding balance was \$3,712.
- Federal Note B requires annual interest payments at 2.30% per annum through December 2021. The notes are secured by property and guaranteed by the University. At June 30, 2021 the outstanding balance was \$1,288.

#### *Note Receivable*

The University holds a note receivable for \$3,712 from Chase NMTC PNCA Investment Fund, LLC (a subsidiary of JP Morgan Chase Bank). Interest at 2.29% per annum is paid to the University on an annual basis through December 2021. The note is secured by the 99.99% membership interest in NTCIC-PNCA, LLC. This note is expected to be eliminated when the NTCIC-PNCA, LLC loans are forgiven in December 2021, once the federal new market tax credit compliance period has ended. The note is included in prepaid expenses and other assets on the statement of financial position.

# WILLAMETTE UNIVERSITY

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

---

June 30, 2021 (with comparative financial information as of May 31, 2020)  
(in thousands)

### NOTE 11 - BONDS PAYABLE

In May 2010, the University issued Oregon Facilities Authority Revenue Bonds in the amount of \$32,500, and proceeds were used to refund \$8,400 of the Oregon Facilities Authority Series 2004 bonds, repay an outstanding line of credit, and finance five construction projects. At May 31, 2020, the outstanding balance was \$13,875. The 2010 bonds were refunded in May 2021 with proceeds from the Oregon Facilities Authority 2021 Series A bonds.

In July 2016, the University issued \$51,345 of Oregon Facilities Authority Revenue Bonds in three series:

- 2016 Series A bonds in the amount of \$22,410 were placed directly with a bank, and proceeds were used for a partial refunding of Oregon Facilities Authority Series 2007 bonds. At May 31, 2020 the outstanding balance was \$22,310. The 2016 Series A bonds were refunded in May 2021 with proceeds from the Oregon Facilities Authority 2021 Series A bonds.
- 2016 Series B bonds in the amount of \$21,255 were issued, 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 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, 2021 and May 31, 2020 there were outstanding balances of \$21,255 and \$21,255, respectively.
- 2016 Series C bonds in the amount of \$7,680 were placed directly with a bank in October 2017, and proceeds were used to refund remaining Series 2007 bonds. At May 31, 2020 there was an outstanding balance of \$6,225. The 2016 Series C bonds were refunded in May 2021 with proceeds from the Oregon Facilities Authority 2021 Series A bonds.

In May 2021, the University issued \$85,835 of Oregon Facilities Authority Revenue Bonds 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 to pay two loans assumed with the PNCA merger. 2021 Series A bonds have annual principal and interest obligations ranging from \$2,385 to \$9,799 through October 2051, and bear interest at 4%. At June 30, 2021 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 \$527 to \$3,370 through October 2041, and bear interest at 4.1%. At June 30, 2021 the outstanding balance was \$15,225.

Principal payments on bonds payable are as follows:

| Fiscal Years Ending June 30,                             | Payments   |
|--|------------|
| 2021-2022  | \$ -       |
| 2022-2023  | -          |
| 2023-2024  | -          |
| 2024-2025  | -          |
| 2025-2026  | -          |
| Thereafter   | 107,090    |
|  | 107,090    |
| Add unamortized bond premium, net of debt issuance costs | 8,701      |
| Bonds payable, net                                       | \$ 115,791 |

Interest costs on bonds payable for the fiscal periods ended June 30, 2021 and May 31, 2020 was approximately \$2,588 and \$2,049, respectively, of which approximately \$0 was capitalized. The remaining interest expense is included in various functional expense categories in the statement of activities.



# WILLAMETTE UNIVERSITY

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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June 30, 2021 (with comparative financial information as of May 31, 2020)  
(in thousands)

### 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.

The schedule below details the estimated liabilities for these benefits included in accounts payable and accrued liabilities in the statement of financial position as of June 30, 2021 and May 31, 2020. Liability estimates are discounted from estimated future costs at 2.85% and 3.65% as of June 30, 2021 and May 31, 2020, respectively. The voluntary severance payment estimate assumes an annual growth rate in compensation of 2.0% and 3.0% as of June 30, 2021 and May 31, 2020, respectively. At June 30, 2021, the assumed health care cost trend rate for the following year used to measure the expected cost of benefits covered by the plan was 23.0%. The rate was assumed to decrease to 2.0% the following year, followed by rates of 4.5 - 5.0% thereafter.

Benefit payments by the University relating to the postretirement benefit plans were approximately \$625 and \$711 for the fiscal periods ended June 30, 2021 and May 31, 2020, respectively. Service cost recognized as benefits expense in various functional categories was approximately \$376 and \$345 for the fiscal periods ended June 30, 2021 and May 31, 2020, respectively.

Expected future payments of postretirement benefits are as follows:

| <u>Fiscal Years Ending June 30,</u>      | <u>Payments</u>        |
|--|------------------------|
| 2021-2022                                | \$ 611                 |
| 2022-2023                                | 537                    |
| 2023-2024                                | 503                    |
| 2024-2025                                | 506                    |
| 2025-2026                                | 425                    |
| Thereafter                               | 4,258                  |
| Total postretirement benefit obligations | <u><u>\$ 6,840</u></u> |

### 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 periods ended June 30, 2021 and May 31, 2020 are as follows:

|   | <u>2021</u>             | <u>2020</u>             |
|---|-------------------------|-------------------------|
| Endowed faculty and staff positions         | \$ 2,801                | \$ 2,920                |
| Endowed facilities improvements             | 209                     | 211                     |
| Other endowed funds                         | 923                     | 1,181                   |
| Sponsored research and grants               | 4,975                   | 2,282                   |
| Other restricted funds                      | 2,602                   | 1,438                   |
|   | <u>11,510</u>           | <u>8,032</u>            |
| Funded financial aid                        | 6,809                   | 5,764                   |
| Total net assets released from restrictions | <u><u>\$ 18,319</u></u> | <u><u>\$ 13,796</u></u> |

**WILLAMETTE UNIVERSITY**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

June 30, 2021 (with comparative financial information as of May 31, 2020)  
(in thousands)

**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, 2021 and May 31, 2020, financial assets available within one year are as follows:

|  | <u>2021</u>      | <u>2020</u>      |
|--|------------------|------------------|
| Total assets at year end   | \$ 639,462       | \$ 443,732       |
| Less:  |                  |                  |
| Prepaid expenses and other assets  | (4,813)          | (842)            |
| Pledges receivable that are restricted or due in more than one year                      | (5,381)          | (2,181)          |
| Student loans receivable   | (3,319)          | (4,525)          |
| Donor restricted endowment funds   | (169,422)        | (158,361)        |
| Accumulated endowment earnings   | (128,799)        | (61,676)         |
| Add back current appropriation of endowment earnings                                     | 13,995           | 14,181           |
| Cash and cash equivalents in bond trust accounts   | (37,993)         | (306)            |
| Charitable remainder trust assets  | (15,805)         | (13,107)         |
| State-mandated gift annuity reserves   | (3,297)          | (2,983)          |
| Beneficial interest in trusts held by others   | (6,791)          | (3,166)          |
| Operating lease right of use assets  | (14,456)         | -                |
| Plant facilities, net  | (165,042)        | (135,585)        |
| Financial assets available to meet cash needs<br>for general expenditure within one year | <u>\$ 98,339</u> | <u>\$ 75,181</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.

|                       | Period ended June 30, 2021 |                             |                          |                        |              |              | Total            |
|-----------------------|----------------------------|-----------------------------|--------------------------|------------------------|--------------|--------------|------------------|
|                       | Wages and<br>Salaries      | Employee<br>Fringe Benefits | Services and<br>Supplies | Facilities<br>Expenses | Depreciation | Interest     |                  |
| Instruction           | \$ 19,300                  | 5,765                       | 1,507                    | 1,030                  | 2,006        | 1,002        | 30,610           |
| Research              | 679                        | 120                         | 559                      | -                      | 132          | -            | 1,490            |
| Academic support      | 7,634                      | 2,238                       | 4,532                    | 455                    | 1,654        | 116          | 16,629           |
| Student services      | 5,907                      | 1,703                       | 2,543                    | 429                    | 832          | 214          | 11,628           |
| Institutional support | 7,109                      | 2,003                       | 6,314                    | 155                    | 250          | 93           | 15,924           |
| Auxiliary enterprises | 1,255                      | 369                         | 5,168                    | 1,205                  | 1,218        | 1,163        | 10,378           |
| Total expenses        | <u>\$ 41,884</u>           | <u>12,198</u>               | <u>20,623</u>            | <u>3,274</u>           | <u>6,092</u> | <u>2,588</u> | <u>\$ 86,659</u> |

**WILLAMETTE UNIVERSITY**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

June 30, 2021 (with comparative financial information as of May 31, 2020)  
(in thousands)

**NOTE 15 - FUNCTIONAL EXPENSES** *Continued*

|                       | Period ended May 31, 2020 |                          |                       |                     |              |              |                  |
|-----------------------|---------------------------|--------------------------|-----------------------|---------------------|--------------|--------------|------------------|
|                       | Wages and Salaries        | Employee Fringe Benefits | Services and Supplies | Facilities Expenses | Depreciation | Interest     | Total            |
| Instruction           | \$ 20,504                 | 6,933                    | 2,486                 | 909                 | 1,869        | 736          | 33,437           |
| Research              | 624                       | 125                      | 564                   | -                   | 142          | -            | 1,455            |
| Academic support      | 7,983                     | 2,631                    | 5,154                 | 405                 | 1,542        | 76           | 17,791           |
| Student services      | 6,120                     | 1,963                    | 3,350                 | 372                 | 792          | 177          | 12,774           |
| Institutional support | 7,642                     | 2,329                    | 4,440                 | 137                 | 233          | 68           | 14,849           |
| Auxiliary enterprises | 2,237                     | 673                      | 3,964                 | 1,064               | 1,128        | 992          | 10,058           |
| Total expenses        | <u>\$ 45,110</u>          | <u>14,654</u>            | <u>19,958</u>         | <u>2,887</u>        | <u>5,706</u> | <u>2,049</u> | <u>\$ 90,364</u> |

Advancement expenses of \$3,905 and \$4,504, exclusive of expenditures for alumni relations, included in general institutional support expenses, are fundraising expenses for the periods ended June 30, 2021 and May 31, 2020, respectively.

**NOTE 16 - RETIREMENT PLAN EXPENSE**

The University has established a defined contribution retirement plan which provides retirement benefits to eligible personnel through Transamerica Retirement Solutions (formerly Diversified). 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 periods ended June 30, 2021 and May 31, 2020 was approximately \$2,820 and \$3,970, 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 - CLAREMONT SCHOOL OF THEOLOGY**

The University signed an affiliation agreement in May 2019 with Claremont School of Theology (CST), currently located in Claremont, CA. The affiliation agreement has an initial term of three years, and may be canceled by either party with 180 days written notice. The University is evaluating next steps.

**NOTE 19 - RISKS AND UNCERTAINTIES: GLOBAL PANDEMIC**

In March 2020, the World Health Organization declared the novel coronavirus (COVID-19) a global pandemic. The related adverse public health developments, including orders to shelter-in-place, travel restrictions and mandated business closures, have adversely affected workforces, organizations, their customers, economies, and financial markets globally, leading to increased market volatility and disruptions in normal business operations, including the University's operations.

The University transitioned its students to online learning and most of its employees to remote work in mid-March of 2020. In August 2020 the University resumed in-person instruction with hybrid options available. Students and employees were required to attest to their COVID vaccination in July 2021, and in August 2021 students and employees returned to campus, and continued in-person instruction.

# WILLAMETTE UNIVERSITY

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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June 30, 2021 (with comparative financial information as of May 31, 2020)  
(in thousands)

### **NOTE 19 - RISKS AND UNCERTAINTIES: GLOBAL PANDEMIC** *Continued*

On March 27, 2020, the Coronavirus Aid, Relief, and Economic Securities (“CARES”) Act was signed into law. The CARES Act allocated \$14 billion to higher education through the creation of the Higher Education Emergency Relief Fund (HEERF). HEERF funds consist primarily of a formulaic allocation to institutions, divided equally into a student portion and an institutional portion. The student portion must be used for emergency grants to students to cover their expenses resulting from the disruption of campus operations due to COVID-19. The Institutional portion may be used for additional student grants, costs associated with significant changes to the delivery of instruction due to COVID-19, to offset lost income, and other approved expenditures. The University has continued to receive additional allocations of HEERF funds.

The University has been granted a total of \$7,760 in HEERF funds with \$3,401 earmarked to be granted directly to students, and the remainder available to the University for use in accordance with the grant provisions. As of June 30, 2021 \$1,494 of the student funding had been provided to students, with the balance to be distributed to students in fiscal year 2022. As of June 30, 2021 \$2,286 of the institutional funding has been expended, with the remainder expected to be expended during fiscal year 2022. In addition, PNCA had remaining HEERF funds totaling \$1,374 as of June 30, 2021 with \$687 earmarked to be granted directly to students, and the remainder available to the University for use in accordance with the grant provisions.

Administration has been closely monitoring the impact of COVID-19 on the University’s operations, including the impact on the students and employees. The duration and intensity of the pandemic is uncertain but may influence student enrollment and housing decisions, donor decisions, investment performance, and may also negatively impact collections of University receivables.

### **NOTE 20 - 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 November 15, 2021, which corresponds to the date when the financial statements were issued. No other events were determined to be reportable.

## **Supplementary Information**

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**Willamette University**  
**Financial Responsibility Ratios**  
**Thirteen Month Period Ended June 30, 2021**

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Section 498(c)(1) of the Higher Education Act authorizes the secretary of the Department of Education (“ED”) to establish ratios and other criteria for determining whether an institution has sufficient financial responsibility. Section 668.172 established a methodology based on three ratios – primary reserve, equity, and net income – that measure different aspects of financial health and are combined into a composite score to measure financial responsibility. Several mathematical steps are required to combine an institution’s ratio results into a composite score:

- Determine the value of each ratio;
- Calculate a strength factor score for each ratio using the appropriate algorithm;
- Calculate a weighted score for each ratio by multiplying the strength factor score by its corresponding weighted percentage; and
- Add the weighted scores to arrive at the composite score.

Institutions receiving a composite score of 1.5 or greater are considered financially responsible. An institution that fails the financial responsibility standards may continue to participate in Title IV programs under provisional certifications for three years. To continue to participate in Title IV programs under provisional certification, an institution will be required to provide surety to the ED of 10 percent or more of its previous year’s Title IV funding, as determined by ED.



# Willamette University

## Financial Responsibility Ratios

### Thirteen Month Period Ended June 30, 2021

The following calculation is the University's composite score as of June 30, 2021:

| Primary Reserve Ratio Calculation   | Reference | As of and for the Thirteen<br>Month Period Ended<br>June 30, 2021 |
|---|-----------|---|
| Net assets with donor restrictions  | SOPF +    | \$ 328,852  |
| Net assets without donor restrictions   | SOPF +    | <u>128,305</u>  |
| Total net assets  | SOPF      | 457,157   |
| Less:   |           |   |
| Net assets held in perpetuity - restricted endowment funds  | SOPF -    | (168,186)   |
| Net assets held in perpetuity - endowment funds held in perpetual trust by others                   | SOPF -    | (5,150)   |
| Net assets with purpose restrictions functioning as endowment                                       | SOPF -    | (1,236)   |
| Annuities with donor restrictions   | Note 7 -  | (4,455)   |
| Term endowments with donor restrictions   | SOPF -    | (1,236)   |
| Income life funds with donor restrictions   | Note 7 -  | (7,521)   |
| Property, plant, and equipment - pre-implementation   | NFRR -    | (128,748)   |
| Property, plant, and equipment - post-implementation with outstanding debt for original purchase    | NFRR -    | (30,500)  |
| Property, plant, and equipment - post-implementation without outstanding debt for original purchase | NFRR -    | (4,873)   |
| Construction in process   | NFRR -    | (921)   |
| Lease right-of-use asset, net   | SOPF -    | (14,456)  |
| Unsecured other related-party assets  | N/A -     | -   |
| Secured and unsecured related party receivables   | N/A -     | -   |
| Unsecured related-party receivables   | N/A -     | -   |
| Add:  |           |   |
| Lease right-of-use asset pre-implementation   | N/A +     | -   |
| Lease right-of-use asset post-implementation  | N/A +     | -   |
| Intangible assets   | N/A +     | -   |
| Long-term debt - for long term purposes pre-implementation  | NFRR +    | 22,258  |
| Long-term debt - for long term purposes post-implementation   | NFRR +    | 53,174  |
| Line of credit for Construction in process  | N/A +     | -   |
| Lease right-of-use asset liability  | NFRR +    | 14,456  |
| Pre-implementation right-of-use lease liabilities   | N/A +     | -   |
| Post-implementation right-of-use lease liabilities  | N/A +     | -   |
| Post-employment and defined pension liabilities   | Note 12 + | <u>6,840</u>  |
| Total expendable net assets   |           | \$ 186,603  |
| Total operating expenses  | SOA       | 86,659  |
| Add:  |           |   |
| Unrealized and realized losses on split-interest agreements   | N/A +     | -   |
| Endowment returns, net of distributions   | N/A +     | -   |
| Post retirement benefits liability adjustment   | SOA +     | 94  |
| Non-operating and net investment (loss)   | N/A +     | -   |
| Other components of net periodic pension costs  | N/A +     | -   |
| Net investment losses   | N/A +     | -   |
| Pension-related changes other than net periodic costs   | N/A +     | -   |
| Losses on sale of property, plant, and equipment  | N/A +     | <u>-</u>  |
| Total expenses without donor restrictions and losses without donor restrictions                     |           | <u>\$ 86,753</u>  |
| Primary reserve ratio   |           | 2.151   |

See notes to financial responsibility ratios.

**Willamette University**  
**Financial Responsibility Ratios**  
**Thirteen Month Period Ended June 30, 2021**

| <b>Equity Ratio Calculation</b>                   | <b>Reference</b> | <b>For the Thirteen Month Period<br/>Ended<br/>June 30, 2021</b> |                   |
|---|------------------|--|-------------------|
| Net assets with donor restrictions                | SOFP             | +  | \$ 328,852        |
| Net assets without donor restrictions             | SOFP             | +  | <u>128,305</u>    |
| Total net assets                                  | SOFP             |  | 457,157           |
| Less:   |                  |  |                   |
| Lease right-of-use asset pre-implementation       | N/A              | -  | -                 |
| Pre-implementation right-of-use lease liabilities | N/A              | -  | -                 |
| Intangible assets                                 | N/A              | -  | -                 |
| Unsecured related-party receivables               | N/A              | -  | -                 |
| Unsecured related party other assets              | N/A              | -  | <u>-</u>          |
| Modified net assets                               |                  |  | \$ 457,157        |
| Total assets                                      | SOFP             | +  | \$ 639,462        |
| Less:   |                  |  |                   |
| Lease right-of-use asset pre-implementation       | N/A              | -  | -                 |
| Intangible assets                                 | N/A              | -  | -                 |
| Unsecured related-party receivables               | N/A              | -  | -                 |
| Unsecured related party other assets              | N/A              | -  | <u>-</u>          |
| Modified assets                                   |                  |  | <u>\$ 639,462</u> |
| Equity ratio                                      |                  |  | <b>0.715</b>      |

| <b>Net Income Ratio Calculation</b>   | <b>Reference</b> | <b>For the Thirteen Month Period<br/>Ended<br/>June 30, 2021</b> |                  |
|---|------------------|--|------------------|
| Change in net assets without donor restrictions                                   | SOA              |  | \$ 29,659        |
| Total operating revenues, gains, and other support without donor restrictions     | SOA              | \$   | 80,321           |
| Add:  |                  |  |                  |
| Gains (losses ) on other investments  | N/A              | +  | -                |
| Building gifts released from restrictions   | N/A              | +  | -                |
| Post retirement benefits liability adjustment                                     | N/A              | +  | -                |
| Non-operating gifts   | N/A              | +  | -                |
| Gain on disposal of property, plant and equipment                                 | N/A              | +  | -                |
| Less:   |                  |  |                  |
| Net investment returns  | Note 6           | -  | (9,982)          |
| Other gains and losses, net   | SOA              | -  | (28,336)         |
| Endowment returns, net of appropriations for operations                           | N/A              | -  | <u>-</u>         |
| Total non-operating revenues, gains, and other support without donor restrictions |                  |  | <u>\$ 42,003</u> |
| Net income ratio  |                  |  | <b>0.706</b>     |

See notes to financial responsibility ratios.

**Willamette University**  
**Financial Responsibility Ratios**  
**Thirteen Month Period Ended June 30, 2021**

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- Step 1:** Calculate the strength factor score for each ratio by using the following algorithms:
- Primary Reserve strength factor score = 10 x the primary reserve ratio result
  - Equity strength factor score = 6 x the equity ratio result
  - Negative net income ratio result: Net Income strength factor = 1 + (25 x net income ratio result)
  - Positive net income ratio result: Net Income strength factor = 1 + (50 x net income ratio result)
  - Zero result for net income ratio: Net Income strength factor = 1

If the strength factor score for any ratio is greater than or equal to 3, the strength factor score for the ratio is 3.

If the strength factor score for any ratio is less than or equal to -1, the strength factor score for the ratio is -1.

- Step 2:** Calculate the weighted score for each ratio and calculate the composite score by adding the three weighted scores
- Primary Reserve weighted score = 40% x the primary reserve strength factor score
  - Equity weighted score = 40% x the equity strength factor score
  - Net Income weighted score = 20% x the net income strength factor score
  - Composite Score = the sum of all weighted scores
  - Round the composite score to one digit after the decimal point to determine the final score

| <b>As of and for the Thirteen Month Period Ended June 30, 2021</b> |              |                        |               |                         |
|--|--------------|------------------------|---------------|-------------------------|
| <b>RATIO</b>   | <b>Ratio</b> | <b>Strength Factor</b> | <b>Weight</b> | <b>Composite Scores</b> |
| <b>Primary Reserve Ratio</b>                                       | 2.15         | 3.00                   | 40%           | 1.20                    |
| <b>Equity Ratio</b>  | 0.71         | 3.00                   | 40%           | 1.20                    |
| <b>Net Income Ratio</b>  | 0.71         | 3.00                   | 20%           | 0.60                    |
| <b>Composite Score</b>   |              |                        |               | 3.00                    |

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See notes to financial responsibility ratios.

**Willamette University**  
**Notes to Financial Responsibility Ratios**  
**Thirteen Month Period Ended June 30, 2021**

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**Note 1 - Financial Responsibility**

The Financial Responsibility Supplemental Schedule shows the calculation of the composite score for the University, including a reference for each financial element to either the statement of financial position (SFP), statement of activities (SOA), notes to financial statements (Note x), or notes to financial responsibility supplemental schedule (NFR) as applicable.

**Note 2 - Plant Facilities, Net, Allocated for Financial Responsibility Supplemental Schedule**

|   | Plant<br>Facilities   | Accumulated<br>Depreciation | Net                   |
|---|-----------------------|-----------------------------|-----------------------|
| Pre-implementation  | \$ 260,045,000        | (131,297,000)               | \$ 128,748,000        |
| Post-implementation with outstanding debt for original acquisition    | 30,500,000            | -                           | 30,500,000            |
| Post-implementation without outstanding debt for original acquisition | 5,005,000             | (132,000)                   | 4,873,000             |
| Construction in progress  | 921,000               | -                           | 921,000               |
|   | <u>\$ 296,471,000</u> | <u>(131,429,000)</u>        | <u>\$ 165,042,000</u> |

**Note 3 - Long-Term Debt, Allocated for Financial Responsibility Supplemental Schedule**

|   | Notes<br>Payable     | Bonds<br>Payable      | Bond Proceeds<br>on Deposit | Net<br>Total         |
|---|----------------------|-----------------------|-----------------------------|----------------------|
| Pre-implementation:                             |                      |                       |                             |                      |
| Oregon Facilities Authority, 2016 Series B, net | \$ -                 | \$ 22,258,000         | \$ -                        | \$ 22,258,000        |
| Post-implementation:                            |                      |                       |                             |                      |
| Notes payable                                   | 11,874,000           | -                     | -                           | 11,874,000           |
| Oregon Facilities Authority, 2021 Series A, net | -                    | 78,532,000            | -                           | 78,532,000           |
| Oregon Facilities Authority, 2021 Series B, net | -                    | 15,001,000            | -                           | 15,001,000           |
| Less bond proceeds on deposit with trustee      | -                    | -                     | (37,233,000)                | (37,233,000)         |
| Less bond proceeds invested in quasi-endowment  | -                    | -                     | (15,000,000)                | (15,000,000)         |
| Total post-implementation                       | <u>11,874,000</u>    | <u>93,533,000</u>     | <u>(52,233,000)</u>         | <u>53,174,000</u>    |
| Totals  | <u>\$ 11,874,000</u> | <u>\$ 115,791,000</u> | <u>\$ (52,233,000)</u>      | <u>\$ 75,432,000</u> |

See notes to financial responsibility ratios.

## **Report of Independent Auditors on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards***

The Board of Trustees  
Willamette University

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the consolidated financial statements of Willamette University (the "University"), which comprise the consolidated statement of financial position as of June 30, 2021, and the related consolidated statement of activities and cash flows for the thirteen month period ended June 30, 2021, and related notes to the consolidated financial statements, and have issued our report thereon dated November 15, 2021.

### **Internal Control Over Financial Reporting**

In planning and performing our audit of the consolidated financial statements, we considered Willamette University's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Willamette University's internal control. Accordingly, we do not express an opinion on the effectiveness of Willamette University's internal control.

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

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

## **Compliance and Other Matters**

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

## **Purpose of this Report**

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

*Moss Adams LLP*

Portland, Oregon  
November 15, 2021



## **Report of Independent Auditors on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance Required by the Uniform Guidance**

The Board of Trustees  
Willamette University

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

We have audited Willamette University's compliance with the types of compliance requirements described in the OMB Compliance Supplement that could have a direct and material effect on each of Willamette University's major federal programs for the thirteen month period ended June 30, 2021. Willamette University's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

#### ***Management's Responsibility***

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

#### ***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of Willamette University's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Willamette University's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of Willamette University's compliance.

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

In our opinion, Willamette University complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the thirteen month period ended June 30, 2021.

## **Report on Internal Control Over Compliance**

Management of Willamette University is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Willamette University's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of Willamette University's internal control over compliance.

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

*Moss Adams LLP*

Portland, Oregon  
November 23, 2021

**Willamette University**  
**Schedule of Findings and Questioned Costs**  
**Thirteen Month Period Ended June 30, 2021**

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

**Financial Statements**

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with generally accepted accounting principles (GAAP): Unmodified

Internal control over financial reporting:

- Material weakness(es) identified?  Yes  No
- Significant deficiency(ies) identified?  Yes  None reported
- Noncompliance material to financial statements noted?  Yes  No

**Federal Awards**

Internal control over major federal programs:

- Material weakness(es) identified?  Yes  No
- Significant deficiency(ies) identified?  Yes  None reported
- Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?  Yes  No

Identification of major federal programs and type of auditor’s report issued on compliance for major federal programs:

| <i>CFDA Number(s)</i> | <i>Name of Federal Program or Cluster</i>                                       | <i>Type of Auditor’s Report Issued on Compliance for Major Federal Programs</i> |
|-----------------------|---|---|
| Various               | Student Financial Assistance Cluster  | Unmodified  |
| 84.425 E, F & M       | COVID-19 Education Stabilization Fund – Higher Education Emergency Relief Funds | Unmodified  |
| Various               | Research and Development  | Unmodified  |

Dollar threshold used to distinguish between type A and type B programs: \$ 750,000

Auditee qualified as low-risk auditee?  Yes  No

**Willamette University**  
**Schedule of Findings and Questioned Costs**  
**Thirteen Month Period Ended June 30, 2021**

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**Section II – Financial Statement Findings**

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None reported.

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

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None reported.

**Willamette University**  
**Summary Schedule of Prior Audit Findings**  
**Thirteen Month Period Ended June 30, 2021**

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There are no prior audit findings noted.

**Willamette University**  
**Schedule of Expenditures of Federal Awards**  
**Thirteen Month Period Ended June 30, 2021**

| Federal Grantor/Pass-Through Grantor/<br>Program or Cluster Title                                       | Federal<br>Assistance Listing<br>Number | Pass-Through<br>Entity Identifying<br>Number | Pass-Through<br>to Subrecipients | Federal<br>Expenditures |
|---|---|--|----------------------------------|-------------------------|
| <b>U.S. Department of Education</b>   |   |  |                                  |                         |
| Direct Programs   |   |  |                                  |                         |
| COVID-19 Education Stabilization Fund - Higher Education  |   |  |                                  |                         |
| Emergency Relief Fund (HEERF)   |   |  |                                  |                         |
| Student portion   | 84.425E                                 |  | \$ -                             | \$ 850,738              |
| Institutional portion   | 84.425F                                 |  | -                                | 1,605,559               |
| Strengthening institutions program  | 84.425M                                 |  | -                                | 169,931                 |
| <b>Total COVID-19 Education Stabilization Fund -<br/>Higher Education Emergency Relief Fund (HEERF)</b> |   |  | <b>-</b>                         | <b>2,626,228</b>        |
| <b>Student Financial Assistance Cluster:</b>  |   |  |                                  |                         |
| Department of Education Direct Programs:  |   |  |                                  |                         |
| Federal Supplemental Educational Opportunity Grants   | 84.007                                  |  | -                                | 460,471                 |
| Federal Work Study Program  | 84.033                                  |  | -                                | 420,393                 |
| Federal Perkins Loan Program (Note 4)   | 84.038                                  |  | -                                | 4,496,652               |
| Federal Pell Grant Program  | 84.063                                  |  | -                                | 1,716,869               |
| Federal Direct Student Loans  | 84.268                                  |  | -                                | 23,910,783              |
| <b>Total Student Financial Assistance Cluster</b>   |   |  | <b>-</b>                         | <b>31,005,168</b>       |
| <b>Total U.S. Department of Education</b>   |   |  | <b>-</b>                         | <b>33,631,396</b>       |
| <b>Research &amp; Development Cluster:</b>  |   |  |                                  |                         |
| National Science Foundation Direct Programs:  |   |  |                                  |                         |
| Engineering   | 47.041                                  |  | -                                | 3,935                   |
| Biological Sciences   | 47.074                                  |  | 143,335                          | 277,350                 |
| Education and Human Services  | 47.076                                  |  | 15,975                           | 410,367                 |
| Mathematical and Physical Sciences  | 47.049                                  |  | -                                | 78,415                  |
| Total National Science Foundation   |   |  | 159,310                          | 770,067                 |
| National Institutes of Health Direct Programs:  |   |  |                                  |                         |
| Biomedical Research and Research Training   | 93.859                                  |  | 36,627                           | 90,184                  |
| National Institutes of Health Pass-Through Program From:  |   |  |                                  |                         |
| Michigan State University   | 93.173                                  | 1R21DC017227-01                              | -                                | 16,082                  |
| Total National Institutes of Health   |   |  | 36,627                           | 106,266                 |
| US Department of Education Institute of Education Services  |   |  |                                  |                         |
| Pass-Through Program From:  |   |  |                                  |                         |
| University of California, Davis   |   |  |                                  |                         |
| Education Research Grants   | 84.305A                                 | R305A170559                                  | -                                | 19,859                  |
| <b>Total Research and Development Cluster</b>   |   |  | <b>195,937</b>                   | <b>896,192</b>          |

See notes to schedule of expenditures of federal awards.



**Willamette University**  
**Schedule of Expenditures of Federal Awards**  
**Thirteen Month Period Ended June 30, 2021**

| Federal Grantor/Pass-Through Grantor/<br>Program or Cluster Title   | Federal<br>Assistance Listing<br>Number | Pass-Through<br>Entity Identifying<br>Number | Pass-Through<br>to Subrecipients | Federal<br>Expenditures |
|---|---|--|----------------------------------|-------------------------|
| Department of Health and Human Services,<br>Administration for Children and Families Pass-Through Program From: |   |  |                                  |                         |
| Oregon Department of Education<br>Social Services Block Grant   | 93.667                                  | YDDG-1149-56968                              | \$ -                             | \$ 146,472              |
| Institute of Museum and Library Services Pass-Through Program From:   |   |  |                                  |                         |
| State Library of Oregon<br>Grants to States   | 45.310                                  | LS-00-19-0038-19                             | -                                | 13,979                  |
| Grants to States  | 45.310                                  | LS-246192-OLS-20                             | -                                | 72,021                  |
| Total Institute of Museum and Library Services  |   |  | -                                | 86,000                  |
| Victims of Crime Act of 1984 Pass-Through Program From:   |   |  |                                  |                         |
| Oregon Department of Justice<br>Crime Victim Assistance   | 16.575                                  | VOCA-FI-2018-WU-00056                        | -                                | 18,398                  |
| Crime Victim Assistance   | 16.575                                  | VOCA-FI-2020-WU-00076                        | -                                | 60,342                  |
| Total Institute of Museum and Library Services  |   |  | -                                | 78,740                  |
| Promotion of the Humanities, Teaching, and<br>Learning Resources and Curriculum Development                     |   |  |                                  |                         |
| National Endowment for the Humanities   | 45.162                                  |  | -                                | 297,526                 |
| <b>Total Expenditures of Federal Awards</b>   |   |  | <b>\$ 195,937</b>                | <b>\$ 35,136,326</b>    |

See notes to schedule of expenditures of federal awards.

**Willamette University**  
**Notes to Schedule of Expenditures of Federal Awards**  
**Thirteen Month Period Ended June 30, 2021**

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**Note 1 – Basis of Presentation**

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of Willamette University (the University) under programs of the federal government for the thirteen month period ended June 30, 2021. The information in the Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the University, it is not intended to and does not present the consolidated financial position, changes in net assets, or cash flows of the University.

**Note 2 – Summary of Significant Accounting Policies**

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule, if applicable, represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. Pass-through entity identifying numbers are presented where available.

**Note 3 – Indirect Cost Rate**

The University has not elected to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

**Note 4 – Federal Student Loan Programs**

The federal student loan program listed below is administered directly by the University and balances and transactions relating to this program are included in the University's consolidated financial statements. Loans outstanding at the beginning of the year and loans made during the year are included in the federal expenditures presented in the Schedule. The balance of loans outstanding at June 30, 2021 consists of:

|   | Federal<br>Assistance<br>Listing<br>Number | Outstanding<br>Balance at<br>June 30, 2021 |
|---|--|--|
| United States Department of Education<br>Federal Perkins Loan Program | 84.038                                     | \$ 3,301,647                               |

On October 1, 2017, the Federal Perkins Extension Act of 2015 expired and no longer permits disbursements to students of any kind after June 30, 2018. The University has been notified that the government will begin collecting the Federal share of the University's Perkins Loan Revolving Funds sometime thereafter.

See notes to schedule of expenditures of federal awards.



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