KPMG

THE WASHINGTON AND LEE UNIVERSITY

Financial Statements

June 30, 2023

(With Independent Auditors' Report Thereon)

THE WASHINGTON AND LEE UNIVERSITY

June 30, 2023

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BOARD OF TRUSTEES

July 1, 2022 through June 30, 2023

PRESIDENT OF THE UNIVERSITY

Management's Discussion and Analysis

Highlights from 2022-23

- University grants and scholarships were awarded to 54.6% of the undergraduates with the average institutional grant or scholarship award at $57,857. In 2013-14, the corresponding figures were 49.3% of undergraduates with average institutional award of $39,391.
- Endowment (including Trusts Held by Others) per Student finished the year at $882,121. At June 30, 2013, this value was $584,937. In other words, this increase in value of 50.8% has been captured over the past decade even with the endowment distributing between 4% and 5% of its value annually.
- The university began phase 1 of the Marketplace renovation and expansion along with the renovation of Café '77 (these opened for the fall of 2023). In addition, the university broke ground on the new Williams School building on Washington Street. At $42 million, it is the second largest single project in the university's history.
- The university funded 310 students for summer experiences in 2023. Total funding for these students totaled $1.18 million. The university continues to focus on fundraising to expand the number of such opportunities going forward.
- New gifts, pledges and estate commitments totaled $73.9 million in 2022-23, the largest year in giving in over a decade. Annual Fund continued to grow and exceeded its public goal of $10.25 million up from $10.0 million in 2021-22.
- With the distribution received in December 2022 of $13.5 million, the Lettie Pate Evans Restricted Fund has made cumulative distributions in excess of $250 million to the university. The first distribution from the trust which was in the 1955 fiscal year was $23,786.

A Year of Robust Revenue and Expense Growth

2022-23 proved to be a year in which the University experienced strong revenue growth with net tuition and fees increasing by nearly $2.4 million, endowment payout increasing by $7.47 million, distributions from trusts held by others climbing by $1.3 million and auxiliary enterprises increasing by $1.4 million. Overall revenues grew by $13.1 million, or 6.8%, over the prior year.

Unfortunately, expenses grew even more rapidly. Total expenses grew by $19.8 million, or 10.8% over the 2021-22 year. From a functional standpoint, all areas with the exception of student support witnessed increases of 10% or better. Inflationary pressures drove a 10.3% increase in supplies and services while costs of sales (supporting auxiliary revenue growth) grew by 17.1%. Compensation which included the largest salary pool in the last two decades, investments in additional faculty staff lines in support of the strategic plan and benefits which felt the double whammy of higher salaries but also high claims experience for the university's health insurance plan grew by $13.7 million, or 12.3%.

The combination of expenses growing faster than revenues led to a modest operating surplus of $2.21 million for the year. A result that is viewed as good but weaker than the $8.94 million surplus of 2021-22.

Against this backdrop of high inflation, investment returns on the endowment remain muted for the year, squeezing out a 1.8% total return, an improvement over the 2021-22 return of -6.6%, but still well short of the long-term return objective of inflation plus 5%. This in turn squeezed the balance sheet as the endowment value declined by $19.3 million to $1.34 billion and the value of trusts held by others declined by $5.15 million to $632 million. Increases in assets primarily related to unspent bond proceeds were offset by the increase in the university's long-term debt of $46.1 million. Overall net assets dropped modestly by $2.7 million to $2.212 billion.

Even within this challenging environment, the university's overall balance sheet strength, combined with the continued focus on the strategic plan, positions the campus well within the higher education industry. The university continues to recruit the very best students and faculty while providing an environment in which we not only see students succeed but thrive. Today we stand with robust resources and great opportunities to continue to strengthen the university both financially and in its ability to better provide students an incredible array of opportunities to prepare them for their responsibilities in being societal leaders following graduation. This provides context for the environment as you review the financial statements laid out in the audited report and notes.

Assets

Washington and Lee University experienced a 1.9% increase in total assets over the past year. From $2.488 billion as of June 30, 2022, the University's assets rose to $2.536 billion as of June 30, 2023. The increase was entirely driven by the addition of bond proceeds from the tax-exempt debt issued in June 2023 to support a myriad of projects across campus. Declines in investments and our interest in trusts held by others were materially offset by an increase in contributions receivable. Total assets have grown by $795 million, or 45.7%, over the last decade. The major asset categories for the university are presented in Figure 1.

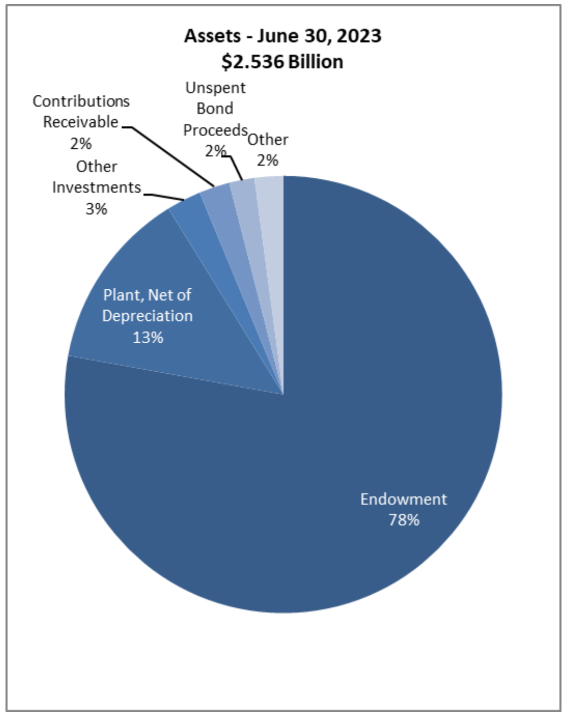

Figure 1

Endowment: Our endowment is comprised of two elements: gifts to the university held in the investment pool and Trusts Held by Others. The University's aggregate endowment declined from $1.998 billion as of June 30, 2022 to $1.974 billion as of June 30, 2023. The high watermark for the endowment was as of June 30, 2021 when it hit $2.092 billion which included a 36.0% return on the internal endowment in that year. (See Figure 2)

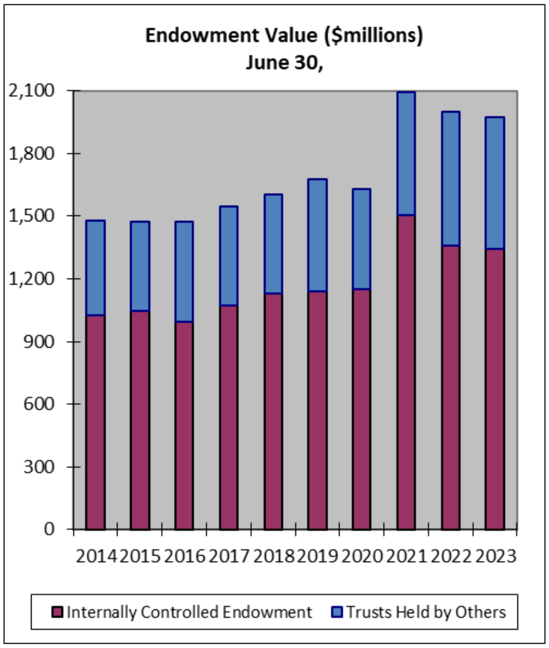

Figure 2

Investment returns for the internally managed endowment increased by 1.8% an improvement over the -6.6% decline in 2021-22. This modest return coupled with the allocation from endowment for operating support of $66.2 million translated to a decline in the value of the endowment managed by the university from $1.36 billion at June 30, 2022 to $1.34 billion at June 30, 2023. The endowment benefitted from new gifts and pledge payments of $23.6 million over the year. This represents the second largest level of gift additions to the endowment in a year in the last decade.

The market value of Trusts Held by Others modestly declined over the year, less than 1% to $631.7 million. Nevertheless, the distributions from the thirty-six trusts that the university benefits from grew by $1.29 million to $18.6 million in 2022-23. The Lettie Pate Evans Restricted Fund Trust accounted for $17.36 million of this amount.

Returns on a nominal basis for endowment funds with external managers fell short of the University's long-term expected return (1.8% actual versus 7.5% targeted). Over the longer term, however, the returns on a three- five- and ten-year have approached this targeted level while beating the Global 60/40 portfolio benchmark in each of those periods. While the one-year returns may disappoint, it is important to maintain a long-term perspective for endowment investments and maintain a diverse portfolio to weather turbulent market periods.

Physical Facilities: The university's physical facilities represent the second largest financial investment. Unlike the endowment, the university's physical plant does not appreciate over time but requires constant upkeep and preservation. At the same time, the investment in facilities is necessary to continue to create stimulating learning and social environments for our students and faculty.

During the 2022-23 year, the university undertook the phase 1 renovation of the Marketplace and Café '77 in Elrod Commons. This phase was completed for the opening of the 2023-24 school year. In addition, the university broke ground on the new Williams School building on Washington Street. The project which is scheduled to be completed for classes beginning in the fall of 2025 is the second largest project on the campus from a cost perspective. Looking out over the coming year, phase 2 of the Marketplace and Café' 77 renovations will begin with the objective of expanding the seating capacity of the Marketplace by 40% while also increasing the amount of outdoor seating for the two venues by a minimum of 100%. In January 2024, the university will break ground on the Lindley Student Health and Wellness Center increasing the capacity for health and counseling services at the school.

As we look ahead, the current strategic plan includes five other major capital projects to be completed over the next decade. These include the renovation of Huntley Hall, a new Admissions and Financial Aid Center, a Museum for Institutional History, the expansion and renovation of the Science Center complex and a Softball Field

Complex. Funding for these projects will be through a combination of fundraising, operating allocations and new debt, with fundraising being the most significant component.

Contributions Receivable: Many significant gifts to the University are structured to be paid in over a period of time (typically no more than five years). These commitments become Contributions Receivable from an accounting perspective. As of June 30, 2023, contributions receivable was valued at $57.5 million. This is up from $38.5 million at June 30, 2022, reflecting the growth in commitments in support of the university's strategic plan. As we see continued fundraising momentum for the strategic plan, we would anticipate contributions receivables to grow in future years.

Unspent Bond Proceeds: Periodically, the university is in receipt of proceeds from debt issues. The proceeds will be utilized over a maximum three-year period to underwrite capital projects. The university took out an additional $52.7 million in new debt in June 2023. At June 30, 2023, proceeds of $47.3 million were still held in an investment fund by the university pending the drawdown of the funds for projects identified as part of the debt issuance. As these projects are completed, there will be a corresponding increase in Land Buildings and Equipment.

Other Investments: The last major asset within the university's financial structure is categorized as "Other Investments." These are primarily split interest arrangements by which a donor gives the university a sum of money to invest and manage. The donor receives an income interest from these investments for a specified period of time after which Washington and Lee receives the remainder of the invested funds to support university operations. These other investments totaled $54.0 million at the end of this most recent fiscal year, up from $47.9 million at the end of fiscal year 2022. The increase reflects the combination of market return and distributions netted by new additions. In addition, the university holds $5.8 million of operating funds within investments.

Liabilities

On the other side of the ledger, the University has liabilities totaling $323.8 million. Four types of liabilities comprise 94% of this total: debt, future annuity payments, operating lease liabilities and postretirement benefits. (See Fig. 3)

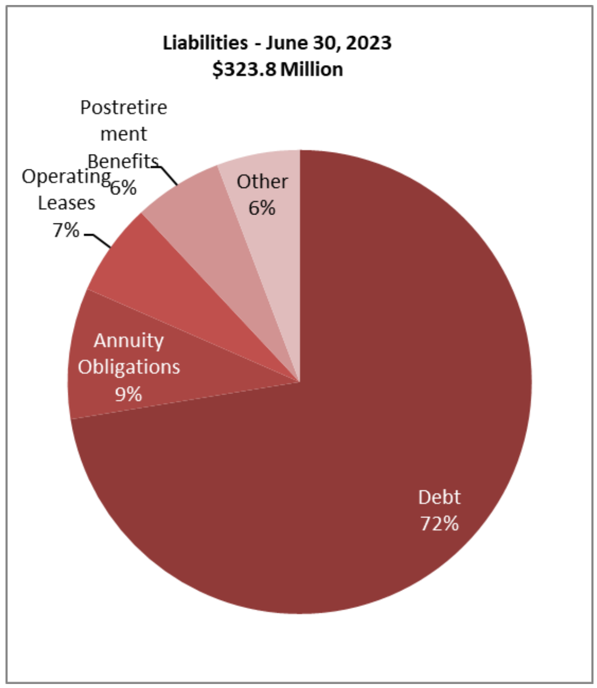

Figure 3

Debt: Washington and Lee University's largest liability is long-term debt that has been incurred over the years to support capital building projects. The university issued $52.7 million in new debt in June of 2023 to underwrite a number of major projects across the campus. Debt at the University now stands at $234.5 million. Over the past year, the University made $5.94 million of payments toward principal and $7.98 million in interest payments. Total debt is composed of eight different instruments, with six being tax-exempt issues through either the Virginia College Building

Authority or the Lexington City Industrial Development Authority. Taxable debt represents 27.5% of the total outstanding debt. Of the outstanding debt at June 30, 2023, 94% is fixed rate and 6% is variable rate debt. Maturities extend to 2048 with interest rates ranging for fixed rate debt from 2.25% to 5.75%. It is worth noting that the two oldest debt issues, the 1998 and 2001 VCBA Notes, totaling $68.2 million are noncallable.

As part of the debt issuance process, the University has sought and maintained credit ratings with Moody's Investor Services and S&P. Currently, the university's debt is rated Aa2 and AA by Moody's and S&P, respectively. Both of these ratings include a "Stable" outlook from the agencies. These strong ratings reflect outside agencies' positive evaluations of the university's financial health and its ability to repay its obligations.

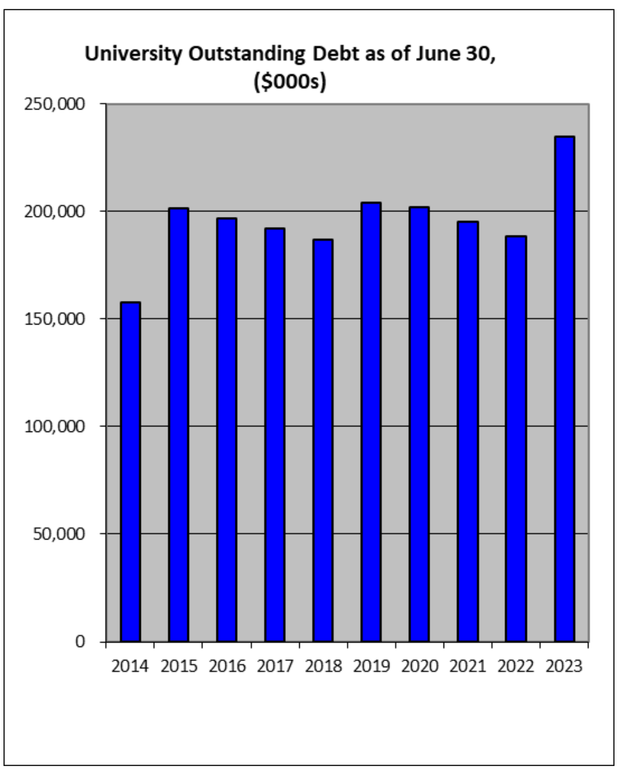

Figure 4

As identified, debt has played a role in our ability to invest in facilities; however, we want to ensure that debt is used responsibly and does not overburden the budget. As such we have had a long-standing debt policy that identifies a prudent range of debt for the university. With total debt service (principal plus interest payments) at 6.8% of operating expenses, the university falls comfortably within the institutional debt service parameter range of 4% to 10% of operations. As we look at future debt issues, we will continue to remain mindful of the limits created through our debt policy and current ratings from S&P and Moody's.

Operating Lease Liabilities: While not a part of the university's debt, the institution has entered into a number of operating leases (primarily related to leases of properties that are used for offices and classrooms) which create a liability valued at $20.9 million as of June 30, 2023. There is an offsetting asset of $18.5 million for the "right-of-use" of these leased facilities.

Future Annuity Payments: The split interest instruments mentioned above create a liability based upon expected future payments to the donor. As of June 30, 2023, this liability was recorded at $29.6 million. It is reasonable to assume that the university would welcome an increasing liability in this area, since it would reflect a growing deferred-giving program, which would lead to greater financial support in the future.

Postretirement Benefits: Finally, the university has maintained a postretirement health benefits plan for those employees who serve 10 years or more and retire from the university. This commitment creates an annual expense for the program as well as a future obligation. This obligation, as actuarially calculated, now stands at $20.0 million, down from $21.2 million a year ago. This benefit is expensed annually through operations and the plan is not funded. The university altered this plan for employees hired after April 1, 2003, to shift to a defined contribution plan for employees rather than a defined benefit plan. This will lead to an elimination of this obligation over the very long-term.

Net Assets

In the corporate world, assets minus liabilities reveal the enterprise's equity. Within higher education, this "equity" is referred to as net assets which are further broken down into two components: Without Donor Restrictions and With Donor Restrictions.

Without Donor Restrictions: These funds can be expended if necessary, and as such, they carry the greatest level of flexibility for the university to meet its long-term obligations. The build-up of these funds results from operating surpluses, the creation of quasi-endowments from large unrestricted gifts (105 such endowments today), investment returns and the development of reserves over the years. The university saw this class of net assets decrease by $10.5 million as a result of investment return and stands at $407.2 million at June 30, 2023.

With Donor Restrictions: These funds are comprised of assets that act as endowment or are fully expendable but restricted by a purpose or timeframe for use through a donor and include split-interest agreements. The majority of these assets reside in the university's endowment (1,385 individual endowment accounts) and Trusts Held by Others (36 such instruments). The value of this net asset component increased in 2022-23 from $1.797 billion to $1.805 billion. In spite of the relatively weak investment returns, the increase resulted from new gifts and pledge payments made in the 2022-23 year.

Table 1 summarizes the university's Statement of Financial Position.

Table 1

Summary
Statement of Financial Position
June 30, 2023 ($000s)

Assets:		
Cash and Cash Equivalents	$	12,772
Accounts and Notes Receivable		14,347
Contributions Receivable, net		57,528
Inventories		1,234
Investments		1,406,941
Funds Held in Trust by Others		631,741
Unspent Bond Proceeds		47,346
Assets Restricted to Investment in Plant		6,783
Right-of-use assets, Operating Leases, net		18,496
Land, Buildings and Equipment, net		338,425
Total Assets	$	2,535,613
Liabilities:		
Accounts and Other Payables	$	12,051
Accrued Compensation		3,288
Student and Other Deposits		1,397
Deferred Revenue		837
U.S. Government Grants Refundable		185
Annuity Obligations		29,616
Operating Lease Liabilities		20,921
Other Obligations		965
Long-term Debt		234,499
Postretirement Benefit Obligations		20,013
Total Liabilities		323,772
Net Assets:		
Without Donor Restrictions		407,178
With Donor Restrictions		1,804,663
Total Net Assets		2,211,841
Total Liabilities and Net Assets	$	2,535,613

Operating Results

For Washington and Lee, this strong financial base is critical in helping faculty and staff deliver a high quality education and student experience. While endowment resources make an enormous contribution to the revenue stream of the university, they are not the only revenues available to the university as depicted in Figure 5.

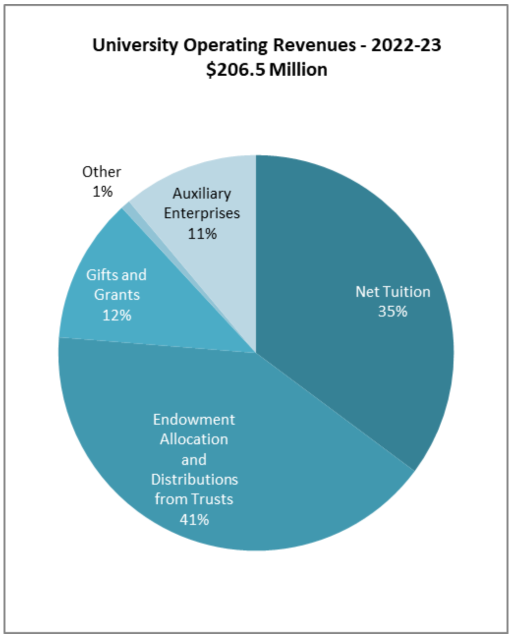

Figure 5

Tuition remains a vital source of operational support; however, it is important to understand the context around costs, stated tuition and fees and net tuition and fees. In 2022-23, the university incurred a cost on average of $97,971 per undergraduate student for educational and student services. The stated tuition and mandatory fees were $78,670 and the average tuition and fees paid by families after scholarships and grants was $46,150. Every student received a subsidy toward their education of $19,301, and for 55% of the population, the subsidy was expanded through financial aid. This is the financial value proposition of a W&L education and has been and will continue to be an area of focus as the University works to expand accessibility to all qualified applicants without regard to socio-economic status.

In 2022-23, net tuition revenues increased by 3.4% to $72.7 million. This gain is largely attributable to growth in aggregate enrollment and the increase in tuition and fees for the year. While financial aid continues to be a significant priority for the university, it is recognized that until there is additional endowment support, the University will need to continue to be need-aware on admission decisions for the last 5 - 10% of the entering class each year. Over the long-term, as we aspire to move to need-blind admissions with new endowment support, net tuition revenue growth will likely moderate. Revenues from endowment, however, will grow more rapidly allowing the university to continue to attract the very best students without regard to financial circumstances.

Table 2 outlines the operating results for the year.

Table 2

Summary Statement of Activities June 30, 2023 ($000s)	
Revenues:	
Tuition and Fees (net of $59,077 for student financial aid)	72,666
Endowment Return Allocated to Operations	66,199
Income from Funds Held in Trust by Others	18,603
Contributions and Grants	24,476
Auxiliary Enterprises (net of $5,011 of aid)	22,935
Other	1,594
Total	**206,473**
Expenses:	
Instructional	90,548
Academic Support	33,262
Student Services	19,039
Institutional Support	27,805
Auxiliary Enterprises	33,609
Total	**204,263**
Operating Surplus	2,210
Decrease in Net Assets from Non-Operating Activities	(4,903)
Change in Net Assets	**$ (2,693)**

In reading the university's operating results, one must look at three pieces to understand the full commitment to Financial Aid at the University. Within revenues, Financial Aid is shown as a reduction of tuition ($59.1 million); this is also the case with Auxiliary Enterprise revenues which reflect an aid discount of $5.0 million. Finally, within the Academic Support expenses, there is $7.3 million of Financial Aid expense (this amount represents awards that exceed tuition, room and board). On a combined basis, student financial aid awarded by the university in 2022-23 was $71.4 million reaching 55% of the undergraduate student population and over 90% of law students.

Endowment distributions, whether from the defined payout formula or allocations from Trusts Held by Others, accounted for 41.1% of the operating revenues in 2022-23, at $84.8 million. This source has grown in importance as a portion of the revenue stream (See Fig. 6). As a result, diligence in management of the underlying assets and considerations of payout allocation models are as important, if not more important, than a decade ago. In 2022-23, the university followed its normal spending formula of increasing unit endowment spending over the prior year by inflation plus one percent. This yielded a payout rate of 4.90%.

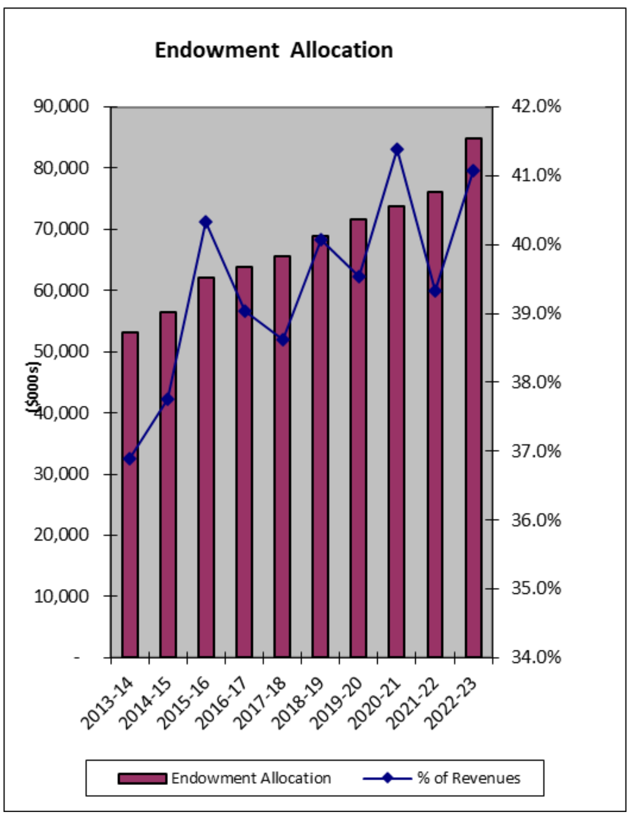

Figure 6

Current gifts and grants also play a significant role in the university's ability to provide a robust and vibrant educational program. For instance, in 2022-23, the Annual Fund yielded a $10.3 million result, as it continued to rebound from the challenges of the environment relative to the university's name decision and the headwinds that Annual Funds across the country have experienced in recent years. The year was highlighted by undergraduate alumni, parents and friends of the university each surpassing their respective goals. 2023-24 is expected to continue to build on this momentum.

These gifts without restrictions underwrite all aspects of university life. In the aggregate, Washington and Lee received $24.5 million in expendable contributions and grants in 2022-23 to underwrite operations. If the University had to rely on its endowment to generate the same level of contribution, the university would need an additional $500 million in endowment funds.

We use these resources to fulfill our core mission – education. As demonstrated in Fig. 7, Instruction and Academic Support (libraries, information technology services, etc.) comprise 60.6% of total expenses. Fig. 7 also demonstrates that only 13.6% of expenditures go toward administration, including fundraising. As in past years, comparisons of expenses within the Top-25 liberal arts colleges reveal that Washington and Lee consistently spends a higher percentage of its budget for educational expenses than the peer average (59.7% versus 48.7%). The university's aggregate expenses per student, however, fall below the average expense per student of the peers by $11,600.

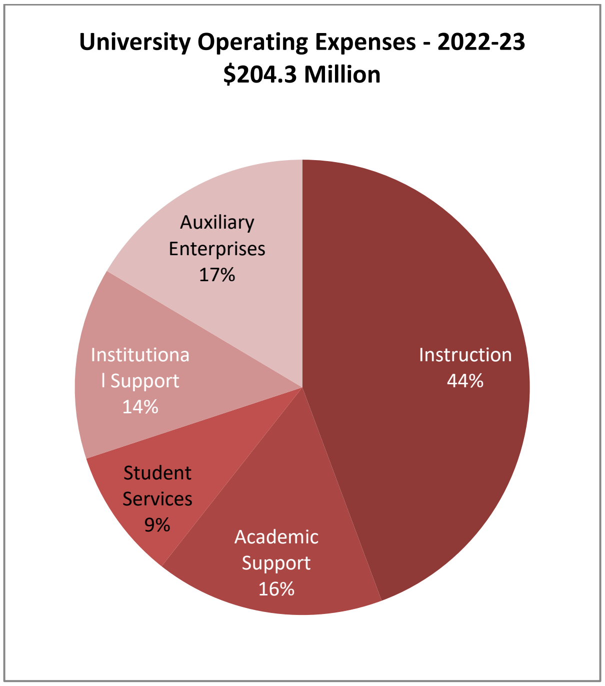

Figure 7

It is also worth noting that this operational efficiency has been affirmed by following the methodology outlined by the American Council of Trustees and Alumni report entitled *How Much is Too Much? Controlling Administrative Costs through Effective Oversight*. In that report, the researchers used a methodology of dividing Institutional Support expenditures by the total of Instruction and Academic Support expenditures. This method led to a ratio as a way to compare schools. For fiscal year 2022 (the most recent with comparative information), Washington and Lee posted a ratio of 0.224. This was the lowest among the Top-25 liberal arts institutions as defined by U.S. News where the mean of the group was 0.365. For W&L, this ratio has held at the same level fiscal year 2023.

Results from Operations reflect an operating surplus of $2.21 million versus an operating surplus of $8.94 million in 2022. This reduction in the surplus from the prior year reflects the unusually high growth in expenses as a result of inflationary pressures and investments in the university's strategic plan outpacing what was strong growth in revenue streams.

As we have examined the construction of the operating budget, one area that we recognize as not yet an industry best practice is the lack of budgeting for depreciation. This results in the operating budget utilizing a modified cash flow approach rather than GAAP reporting as required in the audited financial statements. This budgeting approach excludes a depreciation expense of $21.1 million but does include principal payments on debt and the annual allocation to capital projects. The administration with the Finance Committee of the Board of Trustees continue to work on how to better approach meeting this best practice over time. As part of that effort, we also pursue significant fundraising to support specific projects within the capital program as an additional source of funding. We believe that this comprehensive approach to facilities capital management is a reasonable and thoughtful approach and strengthens our position to avoid a significant accumulation of deferred maintenance.

Outlook

As we turn attention to 2023-24, the university faces additional challenges in the form of continued higher-than-normal inflation and the impact of two straight years of low or negative returns on the endowment. As we build out our financial models, we benefit from the strength of the balance sheet, strong student demand and prudent financial management over many years. These allow us to meet these challenges and continue to offer a curricular and co-curricular program to our students that is the envy of most in higher education.

With our continued focus on the implementation of the strategic plan, we will ensure the continued sustainability of the institution as one of the premier institutions in higher education. We operate while being mindful of what has worked so well over the years: investing meaningfully in the future of our faculty and students. This core objective has led to an institution that understands its role and place in higher education and remains committed to providing long-term value to its students and alumni. The result is reflected in the accompanying financial statements: an endowment per student that places the University in the top-25 of all higher education institutions in America; a financial aid program that has expanded the level of accessibility to deserving students of lesser means; an academic program that strives consistently to find greater opportunities to engage students in both curricular and co-curricular activities; and the continuation in the exploration on ways to ensure that students not only succeed but thrive and understand their responsibility as a global citizen.

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Independent Auditors' Report

The Board of Trustees
The Washington and Lee University:

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of The Washington and Lee University (the University), which comprise the statement of financial position as of June 30, 2023, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements.

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

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS, we:

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

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

Other Information Included with the Annual Financial Statements

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

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

Report on Summarized Comparative Information

We have previously audited the University's 2022 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 27, 2022. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2022, is consistent, in all material respects, with the audited financial statements from which it has been derived.

KPMG LLP

Richmond, Virginia
October 27, 2023

THE WASHINGTON AND LEE UNIVERSITY

Statement of Financial Position

June 30, 2023
(with summarized comparative information as of June 30, 2022)

(In thousands)

Assets		**2023**	**2022**
Cash and cash equivalents	$	12,772	14,006
Accounts receivable and other assets, net		10,763	9,819
Notes receivable, net		3,584	3,624
Contributions receivable, net		57,528	38,495
Inventories		1,234	1,130
Investments		1,406,941	1,424,946
Funds held in trust by others		631,741	636,891
Unspent bond proceeds		47,346	—
Assets restricted to investment in land, buildings, and equipment		6,783	2,252
Right-of-use assets, operating leases, net		18,496	19,530
Land, buildings, and equipment, net		338,425	337,672
Total assets	$	2,535,613	2,488,365
Liabilities and Net Assets			
Liabilities:			
Accounts and other payables	$	12,051	7,261
Accrued compensation		3,288	3,275
Student and other deposits		1,397	1,370
Deferred revenue		837	1,407
U.S. government grants refundable		185	320
Split interest agreement obligations		29,616	27,981
Operating lease liabilities		20,921	21,661
Other obligations		965	860
Long-term debt		234,499	188,447
Postretirement benefit obligation		20,013	21,249
Total liabilities		323,772	273,831
Commitments and contingencies			
Net assets:			
Without donor restrictions		407,178	417,687
With donor restrictions		1,804,663	1,796,847
Total net assets		2,211,841	2,214,534
Total liabilities and net assets	$	2,535,613	2,488,365

See accompanying notes to financial statements.

THE WASHINGTON AND LEE UNIVERSITY

Statement of Activities

Year ended June 30, 2023
(with summarized comparative information for the year ended June 30, 2022)

(In thousands)

	2023 Without donor restrictions	2023 With donor restrictions	2023 Total	2022 Total
Operating revenues and gains:				
Tuition and fees (net of $59,077 in 2023 and $57,773 in 2022 for student financial aid)	$ 72,666	—	72,666	70,293
Endowment return allocated to operations	55,411	10,788	66,199	58,724
Other investment income (loss)	987	3	990	57
Distributions from funds held in trust by others	18,514	89	18,603	17,313
Contributions	12,968	10,247	23,215	21,430
Auxiliary enterprises (net of $5,011 in 2023 and $4,726 in 2022 for student financial aid)	22,935	—	22,935	21,549
Governmental and other grants	—	1,261	1,261	3,405
Other	456	148	604	593
Net assets released from restrictions	13,457	(13,457)	—	—
Total operating revenues and gains	197,394	9,079	206,473	193,364
Operating expenses:				
Instruction	90,548	—	90,548	81,934
Academic support	33,262	—	33,262	28,093
Student services	19,039	—	19,039	19,013
Institutional support	27,805	—	27,805	24,696
Auxiliary enterprises	33,609	—	33,609	30,688
Total operating expenses	204,263	—	204,263	184,424
Change in net assets from operating activities	(6,869)	9,079	2,210	8,940
Nonoperating activities:				
Investment return, net of amount allocated to operations	(7,754)	(28,067)	(35,821)	(163,545)
Change in value of funds held in trust by others	—	(5,150)	(5,150)	48,523
Split interest agreements, net	(55)	(4,474)	(4,529)	4
Contributions	—	40,238	40,238	17,663
Net assets released for fixed asset acquisitions	3,810	(3,810)	—	—
Postretirement charges other than service cost and other actuarial changes	375	—	375	1,418
Other, net	(16)	—	(16)	600
Total nonoperating activities	(3,640)	(1,263)	(4,903)	(95,337)
Change in net assets	(10,509)	7,816	(2,693)	(86,397)
Net assets:				
Beginning of year	417,687	1,796,847	2,214,534	2,300,931
End of year	$ 407,178	1,804,663	2,211,841	2,214,534

See accompanying notes to financial statements.

THE WASHINGTON AND LEE UNIVERSITY

Statement of Cash Flows

Year ended June 30, 2023
(with summarized comparative information for the year ended June 30, 2022)

(In thousands)

		2023	2022
Cash flows from operating activities:			
Change in net assets	$	(2,693)	(86,397)
Adjustments to reconcile change in net assets to net cash and cash equivalents used in operating activities:			
Net realized and unrealized (gain) loss on investments		(25,809)	108,855
Depreciation and amortization		21,064	19,922
Gain on extinguishment of long-term debt		—	(624)
Loss on disposal of fixed assets		—	53
Contributions restricted for long-term investment in endowment and plant		(29,486)	(20,074)
Interest and dividends restricted for long-term investment		(595)	(892)
Changes in assets and liabilities:			
Accounts receivable and other assets, net		(911)	674
Contributions receivable, net		(19,033)	(4,115)
Inventories		(103)	83
Funds held in trust by others		5,150	(48,524)
Accounts and other payables		4,446	71
Student and other deposits		27	(83)
Deferred revenue		(570)	(558)
U.S. government grants refundable		(135)	(194)
Split interest agreement obligations		4,731	(67)
Postretirement benefit obligations		(1,235)	(2,168)
Net cash and cash equivalents used in operating activities		(45,152)	(34,038)
Cash flows from investing activities:			
Purchases of land, buildings, and equipment, including interest capitalized		(21,321)	(15,012)
Purchases of investments restricted to land, buildings, and equipment		(57,293)	(6,946)
Proceeds from sale of investments		265,170	254,709
Purchases of investments		(215,551)	(209,606)
Net cash and cash equivalents (used in) provided by investing activities		(28,995)	23,145
Cash flows from financing activities:			
Principal payments on capital lease obligations		(207)	(166)
Interest and dividends restricted for long-term investment		595	892
Proceeds from contributions restricted for long-term investment in endowment and plant		29,532	21,875
Payments of debt issuance costs		(243)	(396)
Payments on split interest agreements		(3,524)	(4,359)
Proceeds from issuance of long-term debt		52,700	27,775
Principal payments on long-term debt		(5,940)	(32,793)
Net cash and cash equivalents provided by financing activities		72,913	12,828
Net (decrease) increase in cash and cash equivalents		(1,234)	1,935
Cash and cash equivalents:			
Beginning of year		14,006	12,071
End of year	$	12,772	14,006
Supplemental disclosure of cash flow information:			
Cash paid during the year for interest, net of amounts capitalized	$	7,983	7,939

Noncash investing and financing activities, in thousands:
At June 30, 2023 and 2022, $669 and $8, respectively, of fixed asset purchases were included in accounts and other payables.
For the years ending June 30, 2023 and 2022, the University incurred capital lease obligations of $280 and $0, respectively, for equipment leases.

See accompanying notes to financial statements.

(1) Description of Organization

The Washington and Lee University (the University) is a private, liberal arts university in Lexington, Virginia. Founded in 1749; it is the ninth oldest institution of higher learning in the nation. The University is named after George Washington, as he gave the school its first major endowment, and after General Robert E. Lee, as a result of his strong leadership as president of the University. The University is comprised of the College, the Ernest Williams II School of Commerce, Economics and Politics, and the School of Law. There are approximately 1,800 undergraduate students and approximately 400 law students.

(2) Summary of Significant Accounting Policies

(a) Basis of Financial Statement Presentation

The financial statements of the University have been prepared on the accrual basis of accounting.

(b) Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles (U.S. GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Items subject to such estimates and assumptions primarily include the fair value of alternative investments, certain real estate holdings, postretirement benefits obligations, estimated useful lives of land and building improvements, buildings and equipment, and valuation of accounts and contributions receivable. Actual results could differ from those estimates.

(c) Classification of Net Assets

Based on the existence or absence of donor-imposed restrictions, the University's net assets have been grouped into the following two classes:

Without Donor Restrictions – Net assets that are not subject to donor-imposed stipulations.

With Donor Restrictions – Net assets whose use is limited by donor-imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions of the University pursuant to those stipulations; or limited by donor-imposed stipulations that neither expire by passage of time nor can be fulfilled or otherwise removed by the University.

The University retains an interest in several funds held in trust by others (see note 10) which are classified as net assets with donor restrictions. Annual adjustments to record the University's interest in such trusts at the current market value are also recorded as with donor restrictions in the statement of activities and are, therefore, reflected as with donor restrictions net assets in the statement of financial position.

(d) Summarized Comparative Information

The statement of activities for the year ended June 30, 2023 is presented with certain summarized comparative information for the year ended June 30, 2022 in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with U.S. GAAP. Accordingly, such information should be read in conjunction with the University's financial statements for the year ended June 30, 2022 from which the summarized information was derived.

(e) Cash and Cash Equivalents

The University considers all highly liquid investments with an original maturity of three months or less to be cash equivalents, except those cash equivalents held by investment managers as part of their long-term investment strategy, which are included in investments.

At times during the year, the University maintains cash balances at financial institutions in excess of Federal Deposit Insurance Corporation limits.

(f) Inventories

Inventories are stated at the lower of cost or net realized value with cost determined on the first-in, first-out basis.

(g) Investments

Investments are reported at fair value. The fair values of marketable equity and debt securities are determined using quoted market prices at the reporting date multiplied by the quantity held. The fair values of other investments without a readily determinable fair value, such as hedge fund investments, private equity and venture capital, and real assets (natural resource and real estate investments), are estimated based on the investment's net asset value of shares or units held by the University at the reporting date. The various net asset values, which are used as a practical expedient for fair values, are based on valuations provided by external investment managers, which are reviewed by the University for reasonableness. Short-term investments are comprised of short-term fixed income securities valued at fair value determined from public quotations.

Purchases and sales of investments are recorded on the trade date. All investment income is reported in the period earned as revenue with donor restrictions or revenue without donor restrictions depending on donor restrictions or law. The amount of investment income necessary to satisfy the Board of Trustees (the Board) approved spending policy for the endowment fund is included in the endowment returns allocated to operations in the statement of activities. Any excess of income earned over the approved spending amount is retained in the endowment pool.

Except for investments where donors specifically provide otherwise, investments are maintained in a pool. Gifts that are invested in the pool are assigned units of participation in the pool based upon their fair market value on the date of gift and the most recently determined unit market value for the existing units of participation. Subsequent distributions of annual income, based on the spending formula authorized by the Board, of the investment pool are based upon the number of units of participation. Withdrawals are based upon the most recently determined market value of the respective units of participation, which includes both realized and unrealized net gains or losses. The market value of the units of participation is calculated monthly.

Investments are exposed to several risks, such as interest rate, currency, market and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the University's financial statements.

(h) Funds Held in Trust by Others

Funds held in trust by others represent resources neither in the possession nor under the control of the University, but held and administered by outside fiscal agents, with the University deriving income from such funds. Funds held in trust by others are reported at fair value. The fair values of the assets of funds held in trust by others are based upon quoted market prices of the underlying assets held in trust at year end. The fair value of the University's share of the assets is reflected in the statement of financial position and the income (including unrealized appreciation and depreciation) is recorded in the statement of activities.

(i) Land, Buildings, and Equipment

Land, buildings, and equipment, including art properties, are stated at cost at the date of acquisition or fair value at the date of gift, less accumulated depreciation, computed on a straight-line basis over the estimated useful lives of land and building improvements (10–30 years), buildings (30–50 years), and equipment (5–10 years). The University does not recognize depreciation on its art properties because a decrease in economic benefit is not anticipated since the University expects to take the necessary steps to maintain their condition. Interest on borrowings is capitalized from the date of the borrowing until the specified qualifying assets acquired with those borrowings are ready for their intended use or the borrowing is retired, whichever occurs first. Capitalized interest is amortized over the useful life of the qualifying asset.

(j) Split Interest Agreement Obligations

The University is a participating beneficiary in a number of split interest agreements such as charitable remainder trusts and charitable lead trusts. Donors establish and fund a trust with specified distributions to be made to a designated beneficiary or beneficiaries over the trust's term. If applicable, liabilities to beneficiaries associated with these split interest agreements are calculated using the appropriate discount rate at the time they are established. If applicable under U.S. GAAP, liabilities for these split interest agreements are adjusted annually for changes in actuarial assumptions and amortization of the discount to reflect the current market conditions. Upon termination of the trust, the University receives the portion of assets remaining in the trust as specified by the donor.

Charitable remainder trusts, for which the University is not the trustee, are recorded at the fair value of their beneficial interest. The University records revenue for charitable lead trusts, for which the University is the trustee, based on the present value of future cash flows expected to be received by the University. The fair value of the assets held in trust by the University are included in investments and the associated liability, representing the present value of the liability to the donor's estate, is included in split interest agreement obligations in the statement of financial position.

The University also manages gift annuities, which consist of non-trust assets donated to the University in exchange for a fixed payment for a specified period of time. The gift annuities are recognized at fair value when received and included in investments in the statement of financial position. The associated liability is initially calculated at the present value of future cash flows and adjusted in subsequent periods to reflect changes in actuarial assumptions. Liabilities associated with gift annuities are included in split interest agreement obligations in the statement of financial position. The University has estimated the net realizable value of split interest agreement obligations and has concluded the carrying amounts approximate fair value. The discount rates used in calculation of split interest agreements ranged from 0.4% to 10.6% at June 30, 2023 and 2022 respectively.

Pooled life income funds are donated funds received by the University and are assigned a specific number of units in the pool. The donor is paid the amount of income earned on the donor's assigned units. Pooled life income funds are recorded at fair value and are included in investments in the statement of financial position. The University's interest is recognized as contribution revenue in the period in which the assets are received by the donor. The difference between the fair value of the assets when received and the revenue recognized is recorded as a liability and included in split interest agreement obligations in the statement of financial position.

(k) Tuition and Fees and Auxiliary Revenue

Revenue from contracts with customers is recognized when control of the promised goods or services is transferred in an amount that reflects the consideration expected to be received in exchange for those goods or services (i.e., the transaction price). Student tuition and fees and auxiliary revenue are recognized as revenue in the statement of activities, net of institutional aid provided to the student, during the fiscal year in which the related academic services are rendered. Student tuition and fees and auxiliary revenue received in advance of services to be rendered are reported as deferred revenue in the statement of financial position. Student financial aid is provided from earnings on restricted funds and certain board-designated endowments, along with gifts and grants dedicated to providing student financial aid. Aid in excess of a student's tuition and fees is reflected as a reduction of auxiliary enterprises. Disbursements made directly to students for living or other costs are reported as an expense.

The composition of net student tuition and fee revenue for the years ended June 30, 2023 and 2022 was (in thousands):

		2023	2022
Undergraduate	$	111,046	108,043
Law		19,835	19,685
Other		862	338
Less student financial aid		(59,077)	(57,773)
Total	$	72,666	70,293

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

		2023	2022
Residence and dining services, net of student financial aid	$	18,282	17,179
Retail operations and other auxiliary services		4,653	4,370
Total	$	22,935	21,549

(l) Recognition and Classification of Gifts

Contributions of cash and other assets, including unconditional promises to give, are recognized as revenue when the gifts are received by the University. Gifts are reported in the appropriate category of net assets in the statement of activities, except contributions that contain donor-imposed restrictions that are met in the same fiscal year. Gifts whose restrictions are met in the same fiscal year as their receipt are reported as contributions without donor restrictions.

The University records gifts of cash and other assets as restricted support if they are received with donor-imposed restrictions or stipulations that limit their use. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, assets with donor restrictions are reclassified to assets without donor restrictions and reported in the statement of activities as net assets released from restrictions.

The University reports nonfinancial gifts as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. For the years ended June 30, 2023 and 2022, the University recognized nonfinancial gifts of $52,000 and $674,000, all of which consisted of equipment and art properties used to support the University's educational programs. The fair value of the contributed nonfinancial assets was determined using appraised values and there were no donor-imposed restrictions.

In the event a donor makes changes to the nature of a restricted gift which affects its classification among the net asset categories, such amounts are reflected as "re-designated funds" in the statement of activities.

Unconditional promises to give that are expected to be collected within one year are recorded on the date of gift at net realizable value, which approximates fair value. The University uses present value techniques to measure the fair value on the date of gift of unconditional promises to give that are expected to be collected in future years. The discount rates used to compute the discounts on those amounts are determined at the time the unconditional pledges are initially recognized and are not revised subsequently. Amortization of the discounts is recorded as additional contribution revenues in accordance with the donor-imposed restrictions on the contributions. Subsequently, an allowance is made for uncollectible contributions based upon management's judgment after analysis of creditworthiness of the donors, past collection experience, and other relevant factors.

Conditional promises to give are not recognized as revenues until such time as the conditions are substantially met.

(m) Functional Expenses

The University has developed and implemented a system of allocating expenses related to more than one function. These expenses are depreciation, interest, and operations and maintenance of plant. Depreciation is allocated by square footage to the functions utilizing the assets. Interest is allocated based on the use of borrowed money in the individual functional category. Allocation of operations and maintenance of plant expenses was determined through a study of departmental uses of the operations and maintenance budget within each functional category.

(n) Operations

The University classifies revenues earned and expenses incurred related to its core missions of teaching, research and scholarship, and investment returns made available for current use as operating revenues or expenses in the statement of activities. All other activities, including contributions restricted by donors or designated for longer term use by the Board, are shown as a component of nonoperating activities.

(o) Taxes

The University has been classified as an organization described under Section 501(c)(3) of the Internal Revenue Code and thus exempt from federal income taxes on activities related to its exempt purpose. The University does not believe that there are any unrecognized tax benefits or costs that should be recorded in the financial statements. Accordingly, no provision for income taxes has been reflected in the financial statements.

(p) Fair Value Measurements

Certain assets and liabilities are reported at fair value in the financial statements. Fair value is defined 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. The University utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs to the extent possible. The University determines fair value based on assumptions that market participants would use in pricing an asset or liability in the principal or most advantageous market. When considering market participant assumptions in fair value measurements, the following fair value hierarchy distinguishes between observable and unobservable inputs, which are categorized in one of the following levels:

- Level 1 Inputs: Unadjusted quoted prices in active markets for identical assets or liabilities accessible to the reporting entity at the measurement date.
- Level 2 Inputs: Other than quoted prices included in Level 1 inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the asset or liability.
- Level 3 Inputs: Unobservable inputs for the asset or liability used to measure fair value to the extent that observable inputs are not available, thereby allowing for situations in which there is little, if any, market activity for the asset or liability at measurement date.

See note 8 for additional information with respect to fair value measurements.

(q) Asset Retirement Obligations

The University has asset retirement obligations arising from regulatory requirements to perform certain asset retirement activities associated with the cost of removal and disposal of asbestos and fuel tanks. The liability was initially measured at fair value and subsequently is adjusted for accretion expense and changes in the amount or timing of the estimated cash flows. The corresponding asset retirement costs are capitalized as part of the carrying amount of the related long-lived asset and depreciated over the asset's remaining useful life.

(r) Reclassifications

Certain prior year balances have been reclassified to conform to current year presentation.

(3) Liquidity and Availability

As of June 30, 2023 and 2022, financial assets and liquidity resources available within one year for general expenditure, such as operating expenses, scheduled principal payments on debt, and capitalized construction costs not financed with debt, were as follows (in thousands):

		2023	2022
Cash and cash equivalents	$	12,772	14,006
Accounts and other receivables		1,943	1,652
Contributions receivable		4,232	4,827
Investments		4,482	9,408
Expected endowment return allocation		66,199	58,724
Total	$	89,628	88,617

None of the assets above are subject to donor or other restrictions that would make them unavailable for general expenditures within one year of June 30, 2023 or 2022, respectively.

In addition, as of June 30, 2023, the University had assets available from restricted financial assets to meet expected construction costs of $6,783,000.

The University's cash flows have seasonal variations attributable primarily to the timing of tuition billing and contributions received. As part of the University's liquidity management, the University maintains access to a $15,000,000 line of credit, all of which is currently available, as disclosed in note 12.

(4) Notes Receivable

Notes receivable are carried at unpaid principal balance, less an allowance for doubtful accounts, and consist of the following at June 30, 2023 and 2022 (in thousands):

	Maturity	Interest rates	2023	2022
Student financial aid:				
Federally funded aid, net of allowance for doubtful accounts of $229 and $238, respectively	Up to 10 years	3% to 5%	$ 104	170
University funded aid, net of allowance for doubtful accounts of $1,003 and $738, respectively	Up to 10 years	3% to 8%	3,423	3,400
Other notes:				
Miscellaneous notes	Various	Various	57	54
			$ 3,584	3,624

(5) Contributions Receivable

Contributions receivable, which are reported net of an allowance for uncollectible amounts and a present value discount, are expected to be collected as follows at June 30, 2023 and 2022 (in thousands):

	2023	2022
Less than one year	$ 21,877	17,756
One year to five years	32,774	21,333
Over five years	8,656	1,326
Total contributions receivable, gross	63,307	40,415
Less allowance for uncollectible contributions	(580)	(390)
Total contributions receivable, net of allowance	62,727	40,025
Discount (rates ranging from 0.34% to 5.24%)	(5,199)	(1,530)
Total	$ 57,528	38,495

(Continued)

(6) Land, Buildings, and Equipment

Land, buildings, and equipment, net at June 30, 2023 and 2022 consist of the following (in thousands):

		2023	2022
Land	$	6,124	6,124
Land improvements		23,846	23,571
Buildings and improvements		514,132	506,148
Equipment		85,116	80,007
Art properties		5,610	5,426
		634,828	621,276
Less accumulated depreciation and amortization		(312,386)	(290,952)
		322,442	330,324
Construction in progress		15,983	7,348
Total	$	338,425	337,672

(7) Investments

Most of the University's long-term investments are held in an investment pool. Annuity and life income trusts and certain other investments are maintained separately from the investment pool.

The participation in the pool and ownership of the other investments at June 30, 2023 and 2022 for each class of net asset is as follows (in thousands):

		Without donor restrictions	With donor restrictions	Total
2023:				
Net assets:				
Investment pool	$	294,345	1,052,707	1,347,052
Annuity and life income		—	54,045	54,045
Other		5,844	—	5,844
Investments as of June 30, 2023	$	300,189	1,106,752	1,406,941

		Without donor restrictions	With donor restrictions	Total
2022:				
Net assets:				
Investment pool	$	301,006	1,065,299	1,366,305
Annuity and life income		—	47,941	47,941
Other		10,700	—	10,700
Investments as of June 30, 2022	$	311,706	1,113,240	1,424,946

Investments are comprised of the following at June 30, 2023 and 2022 (in thousands):

		2023	2022
Short-term investments	$	31,792	11,638
Equities		149,984	147,560
Fixed income		53,795	51,220
Real assets		44,325	47,868
Hedge funds		804	435
Mortgage loans to faculty and staff		45,661	44,652
Multi-Asset Class (see below) *		886,123	918,746
Private equity/venture capital		194,457	202,827
Total	$	1,406,941	1,424,946

* This represents the University’s investments in Makena Capital Management, LLC (Makena). Makena’s Multi-Asset Class portfolio is diversified across geographies, strategies, and over 130 investment managers.

The following tables summarizes the investment return and its classification in the statement of activities (in thousands):

2023		Without donor restrictions	With donor restrictions	Total
Interest and dividend income	$	1,940	3,619	5,559
Net appreciation in fair value of investments, including investment expenses of $11,211		5,731	20,078	25,809
Total investment return		7,671	23,697	31,368
Less:				
Investment return allocated under spending policy		(14,438)	(51,761)	(66,199)
Other investment returns		(987)	(3)	(990)
Investment return net of amount allocated to operations	$	(7,754)	(28,067)	(35,821)

2022		Without donor restrictions	With donor restrictions	Total
Interest and dividend income	$	2,377	1,714	4,091
Net depreciation in fair value of investments, including investment expenses of $11,403		(29,073)	(79,782)	(108,855)
Total investment return		(26,696)	(78,068)	(104,764)
Less:				
Investment return allocated under spending policy		(12,423)	(46,301)	(58,724)
Other investment returns		(283)	226	(57)
Investment return net of amount allocated to operations	$	(39,402)	(124,143)	(163,545)

The University maintains a statement of investment policies and objectives, which is approved by the Investment Committee of the Board of Trustees. The policy, which is reviewed no less than every three years, provides guidance on investment objectives, appropriate investment vehicles, asset allocation and spending policy for the endowment investments. Since 2007, the University has employed Makena to manage the majority of the University's endowment funds. In so doing, the University has delegated the authority for asset allocation and manager selection to Makena, and in the period since the selection of Makena, the University has redeemed holdings from other managers (legacy investments) and placed those funds with Makena. Approximately 86% and 88% of the University's endowment funds were held at Makena as of June 30, 2023 and 2022, respectively.

Makena utilizes both traditional and nontraditional investment strategies for the implementation of asset allocation. The single investment pooled fund is invested in approximately 130 individual managers across 5 asset classes and over 30 sub-strategies. The portfolio is structured across the asset and sub-asset classes to generate performance in excess of relevant benchmarks while realizing substantially lower volatility than equity markets.

The portfolio as of June 30, 2023 and 2022 was allocated across the following asset classes as follows:

	2023	2022
Equity	34 %	37 %
Real estate	17	16
Private equity	33	33
Fixed income	11	11
Cash	5	3

The University has within its investments, those investments held by the University as trustee that provide payout to named beneficiaries but will ultimately be passed to the University. These funds are held at BNYMellon and are invested primarily across a range of equity indexed products and fixed income indexed products in a more traditional investment approach. The majority of the funds are held in mutual fund products.

The following table summarizes the University's investments reported using net asset value per share, or its equivalent, as a practical expedient to estimate fair value as of June 30, 2023 and 2022, as well as liquidity and funding commitments for those investments at June 30, 2023 (in thousands):

	Fair value		Unfunded	Redemption frequency (if currently	Redemption
	2023	2022	commitments	available)	notice period
Equities	$ 48,140	70,193	—	*	*
Real assets	40,037	44,375	22,818	*	*
Multi-Asset Class	886,123	918,746	2,225	Annual	1 year
Private equity/venture capital	194,457	202,827	137,815	*	*

* These are primarily limited partnerships where distributions are made to investors through the liquidation of the underlying assets. It is expected to take 1–5 years to fully distribute these assets.

(8) Fair Value Measurements

(a) Fair Value of Financial Instruments

The following methods and assumptions were used to estimate the fair value of each class of the University's financial instruments.

- Investments and funds held in trust by others: The fair values of marketable equity and debt securities are determined using quoted market prices at the reporting date multiplied by the quantity held. The carrying amount of mortgage loans to employees is determined based on the current principal balance. Short-term investments are comprised of short-term fixed income securities valued at fair value determined from public quotations.

Although the fair values of the assets of funds held in trust by others are based upon quoted prices at year-end, funds held in trust by others are categorized as Level 3 assets in the fair value hierarchy due to the University's lack of control over the trusts.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the University believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

(b) Fair Value Hierarchy

The following table presents assets and liabilities that are measured at fair value on a recurring basis at June 30, 2023 (in thousands):

	June 30, 2023	Fair value measurements at reporting date using			NAV[1]
		Level 1	Level 2	Level 3	
Assets:					
Investments:					
Short-term investments	$ 31,792	31,521	271	—	—
Equities	149,984	101,844	—	—	48,140
Fixed income	53,795	49,467	4,008	320	—
Real assets	44,325	653	3,635	—	40,037
Hedge funds	804	804	—	—	—
Mortgage loans to staff and fraternities	45,661	—	45,661	—	—
Multi-Asset Class	886,123	—	—	—	886,123
Private equity/venture capital	194,457	—	—	—	194,457
Total investments	1,406,941	184,289	53,575	320	1,168,757
Funds held in trust by others	631,741	—	—	631,741	—
Total assets	$ 2,038,682	184,289	53,575	632,061	1,168,757

1 Certain investments that are measured at fair value using net asset value per share (or its equivalent) as a practical expedient have not been categorized in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the statement of financial position.

There were no significant transfers between investment levels and there were no purchases or additions to Level 3 assets for the year ended June 30, 2023.

The following table presents assets and liabilities that are measured at fair value on a recurring basis at June 30, 2022 (in thousands):

	June 30, 2022	Fair value measurements at reporting date using Level 1	Level 2	Level 3	NAV[1]
Assets:					
Investments:					
Short-term investments	$ 11,638	10,456	1,182	—	—
Equities	147,560	77,367	—	—	70,193
Fixed income	51,220	42,915	7,985	320	—
Real assets	47,868	631	2,862	—	44,375
Hedge funds	435	435	—	—	—
Mortgage loans to staff and fraternities	44,652	—	44,652	—	—
Multi-Asset Class	918,746	—	—	—	918,746
Private equity/venture capital	202,827	—	—	—	202,827
Total investments	1,424,946	131,804	56,681	320	1,236,141
Funds held in trust by others	636,891	—	—	636,891	—
Total assets	$ 2,061,837	131,804	56,681	637,211	1,236,141

[1] Certain investments that are measured at fair value using net asset value per share (or its equivalent) as a practical expedient have not been categorized in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the statement of financial position.

There were no significant transfers between investment levels and there were no purchases or additions to Level 3 assets for the year ended June 30, 2022.

(9) Endowment

Endowment is a term used commonly to refer to the resources that have been restricted by donors or designated by the Board of Trustees that will be invested to provide future revenue to support the University's activities. As of June 30, 2023, the University holds 1,490 endowment funds, of which 1,379 are true endowments (restricted by the donor), six are term endowments (restricted by the donor and the principal may be spent) and 105 are quasi-endowments (designated by the Board).

(a) Interpretation of Relevant Law

Based on the interpretation of Virginia's legislation, which incorporates the provisions of the Uniform Prudent Management of Institutional Funds Act (the Act or UPMIFA), by the Board of Trustees of the University, and absent explicit donor stipulations to the contrary, the University classifies the original value of gifts donated to the permanent endowment, as well as accumulations to the permanent endowment made at the direction of the donor, as net assets with donor restrictions.

In accordance with the Act, the University considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: the duration and preservation of the fund; the purposes of the University and the donor-restricted endowment fund; general economic conditions; the possible effect of inflation or deflation; the expected total return from income and the appreciation of investments; other resources of the University; and the investment policies of the University.

Endowment net assets consist of the following at June 30, 2023 (in thousands):

		Without donor restrictions	With donor restrictions	Total
Donor-restricted endowment funds	$	—	1,048,476	1,048,476
Board-designated endowment funds		293,675	—	293,675
Total endowed net assets	$	293,675	1,048,476	1,342,151

Endowment net assets consist of the following at June 30, 2022 (in thousands):

		Without donor restrictions	With donor restrictions	Total
Donor-restricted endowment funds	$	—	1,060,987	1,060,987
Board-designated endowment funds		300,456	—	300,456
Total endowed net assets	$	300,456	1,060,987	1,361,443

Net assets for donor-restricted endowment funds held in perpetuity were $588,051,000 and $566,736,000 as of June 30, 2023 and 2022, respectively.

(Continued)

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

		Without donor restrictions	With donor restrictions	Total
Endowment net assets, June 30, 2021	$	333,233	1,170,820	1,504,053
Investment return:				
Investment income		298	1,048	1,346
Net depreciation		(22,259)	(78,456)	(100,715)
Contributions and pledge payments		1,607	13,876	15,483
Appropriation for expenditure		(12,423)	(46,301)	(58,724)
Endowment net assets, June 30, 2022		300,456	1,060,987	1,361,443
Investment return:				
Investment income		357	1,285	1,642
Net appreciation		4,721	16,991	21,712
Contributions and pledge payments		2,579	20,974	23,553
Appropriation for expenditure		(14,438)	(51,761)	(66,199)
Endowment net assets, June 30, 2023	$	293,675	1,048,476	1,342,151

(b) Funds with Deficiencies

From time to time, the fair value of assets associated with an individual donor-restricted endowment fund may fall below the original value of the fund. Deficiencies of this nature that are reported in net assets with donor restrictions were $952,000 and $486,000 as of June 30, 2023 and 2022, respectively.

(c) Return Objectives and Risk Parameters

The University has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets.

(d) Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, the University relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The University targets a diversified asset allocation that places emphasis on investments in equities, bonds and absolute return strategies to achieve its long-term return objectives within prudent risk constraints.

(e) Spending Policy and How the Investment Objectives Relate to Spending Policy

The Board-approved spending formula for the endowment provides for spending the lesser of the prior year allocation incremented by a Consumer Price Index-based inflator, 6% of the three-year average of fair values at June 30, or a 5% ceiling related to the June 30 fair value. This model is often referred to as a constant growth spending formula. The calculated spending rate was 4.90% and 4.00% for the years ended June 30, 2023 and 2022, respectively.

(10) Funds Held in Trust by Others

The majority of the funds held in trust by others comes from Letitia P. Evans' bequest of 15% of the annual net income of the Lettie Pate Evans Foundation, Inc. Restricted Fund. At June 30, 2023 and 2022, the fair value of the University's interest was reported by the trustees as $593,191,000 and $599,970,000, respectively. During the years ended June 30, 2023 and 2022, the University received distributions of $17,358,000 and $16,311,000, respectively, from the Lettie Pate Evans Foundation, Inc. Restricted Fund.

At June 30, 2023 and 2022, the University maintained an interest in 35 other trusts with fair values of the University's interest, as reported by the trustees of approximately $38,550,000 and $36,921,000, respectively, and received distributions for the years ended June 30, 2023 and 2022 of $1,370,000 and $1,107,000, respectively.

(11) Leases

The University determines if an arrangement is or contains a lease at inception of the contract. The right-of-use assets represent the right to use the underlying assets for the lease term and the lease liabilities represent the obligation to make lease payments arising from the leases. Right-of-use assets and lease liabilities are recognized at commencement date based on the present value of lease payments over the lease term. The University uses the implicit rate noted within the contract. If not readily available, the University uses the risk-free rate corresponding to the term of the lease. A right-of-use asset and lease liability is not recognized for leases with an initial term of 12 months or less and lease expense is recognized for these leases on a straight-line basis over the lease term within operating expenses.

The University has various real estate operating leases for offices that expire in years through fiscal 2043. The terms of these leases vary and certain of these leases provide for increasing rent over the term of the lease. The University's operating leases had a weighted average discount rate of 1.92% and 1.91% and weighted average remaining term of 18 years and 18.8 years as of June 30, 2023 and 2022, respectively. The University has various finance leases of equipment that expire in years through fiscal 2028.

The components of lease expense for the fiscal years ended June 30, 2023 and 2022 are as follows (in thousands):

	2023	2022
Lease cost:		
Operating lease cost	$ 1,431	1,107
Finance lease cost:		
Amortization of right-of-use assets	199	156
Interest on lease liabilities	12	6
	$ 1,642	1,269

Future minimum lease payments and reconciliation to operating lease liabilities at June 30, 2023 are as follows (in thousands):

	Operating leases
2024	$ 1,182
2025	1,201
2026	1,249
2027	1,301
2028	1,302
Thereafter	19,182
Total	25,417
Less present value discount	(4,496)
Lease liabilities	$ 20,921

(12) Long-Term Debt

Long-term debt consists of the following obligations at June 30, 2023 and 2022 (in thousands):

	Final maturity	Interest rates	2023	2022
Virginia College Building Authority (VCBA):				
1998 Note, includes unamortized premium of $336 and $413, and unamortized debt issuance cost of $129 and $148, respectively (A)	January 2031	5.03%–5.05%	$ 43,997	48,370
2001 Note, includes unamortized premium of $1,096 and $1,184, and unamortized debt issuance cost of $103 and $113, respectively (B)	January 2034	5.00%–5.75%	24,173	24,311
2015A Note, includes unamortized premium of $53 and $107 and unamortized debt issuance cost of $14 and $24, respectively (C)	January 2025	2.25%–5.00%	1,934	2,873
2023 Note, includes unamortized debt issuance costs of $242(D)	June 2044	3.90%	52,457	—

	Final maturity	Interest rates		2023	2022
Industrial Development Authority of the City of Lexington:					
2018A Note, includes unamortized premium of $3,646 and $3,976 and issuance cost of $283 and $294 (E)	June 2048	5.00 %	$	32,338	33,072
2018B Note, includes unamortized issuance cost of $85 and $89 (F)	June 2043	Variable		15,025	15,021
2019 Note, includes unamortized issuance cost of $283 and $297 (G)	January 2043	3.38 %		37,427	37,413
2021 Note, includes unamortized issuance cost of $373 and $388 (H)	January 2040	0.83%-3.00%		27,148	27,387
			$	234,499	188,447

(A) Semi-annual interest payments on this note began July 1, 1998 with annual principal payments commencing on January 1, 2022 and continuing until maturity in January 1, 2031.

(B) Semi-annual interest payments began January 1, 2002 with annual principal payments commencing January 1, 2016 and continuing until maturity in January 2034.

(C) Semi-annual interest payments began July 1, 2015 with annual principal payments commencing January 1, 2017 and continuing until final maturity of the remaining notes in January 2025. A portion of the 2015A notes originally scheduled to mature in 2026 through 2040 were refunded in December 2021 with proceeds from the 2021 Notes.

(D) In June 2023, the VCBA issued bonds in the amount of $52,457,000 known as Series 2023 Bonds. The proceeds from the sale were loaned to the University in exchange for its Note. Such proceeds will be used primarily to fund construction projects. Principal payments will be due annually, commencing in June 2026. Interest payments are paid monthly, in arrears, beginning on July 1, 2023 and continuing until maturity in June 2044. At June 30, 2023, approximately $47,346,000 of the proceeds from the issuance of the 2023 Bonds remained unspent within a money market account. This amount is included in upspent bond proceeds in the statement of financial position. The unspent proceeds are included in level 1 of the fair value hierarchy.

(E) Semi-annual interest payments and annual principal payments began January 1, 2019 and continuing until maturity in June 2048.

(F) Monthly interest payments began July 2018 with annual principal payments commencing June 30, 2036 and continuing until maturity in June 2043. The interest rates for the year ended June 30, 2023 ranged from 1.95% to 4.68%.

(G) Semi-annual interest payments began July 1, 2020 with annual principal payments commencing January 1, 2034, and continuing until maturity in January 2043.

(H) In December 2021, the Lexington Authority issued revenue bonds in the amount of $27,775,000 known as Series 2021 Bonds, (1) refunding a portion of the Series 2015A Bonds, and (2) financing costs of issuance, funded interest, if any, and reserves, if any, with respect to the Bonds. Interest payments are paid semi-annually in January and July, and commenced July 2022 and annual principal payments commenced January 1, 2023 and continue until maturity in January 2040.

Aggregate principal payments due for the next five fiscal years are: 2024 – $6,225,000; 2025 – $6,550,000; 2026 – $7,050,000; 2027 – $7,430,000; 2028 – $7,810,000; and thereafter – $195,815,000.

Revolving Credit Agreement

The University has a Revolving Credit agreement with Truist Bank that permits the University to borrow through April 20, 2025 up to $15,000,000, bearing interest at an adjusted SOFR rate by adding the one-month SOFR plus one and one-quarter of one percent (1.25%) per annum, which shall be adjusted monthly on the first day of each month. At June 30, 2023, the University had $15,000,000 available under this facility.

(13) Net Assets

Net assets at June 30, 2023 were as follows (in thousands):

	Without donor restrictions	With donor restrictions	Total
Operations	$ 371	29,316	29,687
Student loan funds	—	6,024	6,024
Net investment in plant	132,178	—	132,178
Physical plant acquisitions	—	6,783	6,783
Quasi endowment funds	293,675	—	293,675
Donor restricted endowment	—	1,048,476	1,048,476
Contributions receivable	241	57,761	58,002
Split-interest agreements	726	24,562	25,288
Trust held by others	—	631,741	631,741
Post-retirement	(20,013)	—	(20,013)
Total	$ 407,178	1,804,663	2,211,841

Net Assets at June 30, 2022 were as follows (in thousands):

	Without donor restrictions	With donor restrictions	Total
Operations	$ 145	32,697	32,842
Student loan funds	—	6,050	6,050
Net investment in plant	136,586	—	136,586
Physical plant acquisitions	—	2,252	2,252
Quasi endowment funds	300,456	—	300,456
Donor restricted endowment	—	1,060,987	1,060,987
Contributions receivable	1,115	37,929	39,044
Split-interest agreements	634	20,041	20,675
Trust held by others	—	636,891	636,891
Post-retirement	(21,249)	—	(21,249)
Total	$ 417,687	1,796,847	2,214,534

Net Assets Released from Restrictions

Net assets are released from donor restrictions when expenses are incurred to satisfy the restricted purposes or by occurrence of other events as specified by donors. Purpose restrictions accomplished during the year ended June 30, 2023 were as follows (in thousands):

Operations:	
Financial aid	$ 5,836
Program support	4,910
Other	791
Net investment in plant	1,920
	13,457
Nonoperations:	
Net assets released for fixed asset acquisitions	3,810
Total	$ 17,267

(14) Expenses

Expenses for the year ended June 30, 2023 were incurred for the following (in thousands):

	Salaries, wages and benefits	Supplies and services	Cost of sales	Deprecation and amortization	Interest	Total operating expenses	Net periodic postretirement benefit cost excluding service cost	Total expenses by function
Instruction and research	$ 65,498	12,168	—	10,045	2,837	90,548	—	90,548
Academic support	18,410	12,423	—	2,208	221	33,262	—	33,262
Student services	12,250	5,254	11	1,052	472	19,039	—	19,039
Institutional support	17,508	9,151	—	983	163	27,805	1,162	28,967
Auxiliary enterprises	10,999	5,350	6,682	7,220	3,358	33,609	—	33,609
Total	$ 124,665	44,346	6,693	21,508	7,051	204,263	1,162	205,425

Expenses for the year ended June 30, 2022 were incurred for the following (in thousands):

	Salaries, wages and benefits	Supplies and services	Cost of sales	Deprecation and amortization	Interest	Total operating expenses	Net periodic postretirement benefit cost excluding service cost	Total expenses by function
Instruction and research	$ 58,864	10,610	—	9,734	2,726	81,934	—	81,934
Academic support	15,955	9,676	—	2,225	237	28,093	—	28,093
Student services	10,882	6,600	11	1,055	465	19,013	—	19,013
Institutional support	15,279	8,384	2	876	155	24,696	943	25,639
Auxiliary enterprises	10,015	4,933	5,704	6,989	3,047	30,688	—	30,688
Total	$ 110,995	40,203	5,717	20,879	6,630	184,424	943	185,367

(15) Retirement Plans

Academic and nonacademic personnel of the University are included in the 403(b) contributory retirement plans of the Teachers Insurance and Annuity Association (TIAA) and Fidelity Management Trust Company (Fidelity). For the year ended June 30, 2023, the University matched optional employee contributions up to 5% of their annual salary. In addition, the University makes a mandatory contribution of 5% of the employee’s annual salary. Contributions are paid currently to TIAA or Fidelity. The University’s cost under this plan amounted to $7,115,000 and $6,785,000 for the years ended June 30, 2023 and 2022, respectively.

The University also maintains a discretionary defined contribution retirement plan through TIAA. The Washington and Lee Retiree Health Plan (the Plan) exists for the purpose of providing postretirement medical benefits to eligible academic and nonacademic personnel of the University. Employer contributions for the years ended June 30, 2023 and 2022 totaled $185,000 and $169,000, respectively.

(16) Postretirement Benefits

The University currently provides health insurance in the form of a retiree medical benefit (the Plan) to certain retired employees and their dependents. The costs of postretirement benefits are accrued during the service lives of employees. Employees of record prior to April 1, 2003 are eligible to qualify for this benefit. Those hired on or after April 1, 2003 cannot participate in the Plan. The Plan is unfunded.

The components of net periodic postretirement benefit cost for the years ended June 30, 2023 and 2022 were as follows (in thousands):

		2023	2022
Service cost (benefits attributed to employee service during the year)	$	595	700
Interest cost on accumulated postretirement benefit obligation		896	643
Amortization of prior service cost		266	300
Net periodic postretirement benefit cost	$	1,757	1,643

The amortized actuarial gain or loss results from changes in certain assumptions and will be amortized over a period based on the average future service of participants expected to receive plan benefits.

The discount rates used in determining the accumulated postretirement benefit obligation (APBO) as of June 30, 2023 and 2022 was 5.00% and 4.25%, respectively. The assumed health care cost trend used in measuring the accumulated postretirement benefit obligation was 6.5% in 2023, decreasing to 4.5% over the next ten years.

The following information summarizes activity in the unfunded postretirement benefit plan for the years ended June 30, 2023 and 2022 (in thousands):

		2023	2022
Change in benefit obligation:			
Accumulated benefit obligation, beginning of year	$	21,249	23,417
Service cost		595	700
Interest cost		896	643
Actuarial gain		(1,271)	(2,061)
Net benefits paid		(1,456)	(1,450)
Accumulated benefit obligation, end of year	$	20,013	21,249
Amount not yet recognized in net periodic benefit cost and included in net assets without donor restrictions:			
Net actuarial gain	$	(1,726)	(455)
Prior service cost		166	533
	$	(1,560)	78

Projected postretirement health benefits expected to be paid in each of the next five fiscal years are: 2024 – $1,779,000; 2025 – $1,834,000; 2026 – $1,920,000; 2027 – $1,936,000 and 2028 – $2,002,000. An additional $10,373,000 is expected to be paid for the fiscal years 2029 through 2032.

(Continued)

Total employer and participant contributions are $1,456,000 and $138,000, respectively, for the year ended June 30, 2023. Total benefits paid for the year ended June 30, 2023 are $1,594,000. Total employer and participant contributions are $1,451,000 and $140,000, respectively, for the year ended June 30, 2022. Total benefits paid for the year ended June 30, 2022 are $1,591,000. The expense discount rate for the years ended June 30, 2023 and 2022 were 5.0% and 4.25%, respectively.

(17) Commitments

The University's contractual commitments for capital expenditures totaled approximately $2,232,000 at June 30, 2023.

(18) Concentration Risk

Financial instruments that potentially subject the University to concentration of risk consist primarily of an equity investment in a large U.S. company. This investment comprised 52% and 63% of total funds held in trust by others for the periods ended June 30, 2023 and 2022, respectively.

(19) Contingencies

The University receives revenues under U.S. Government grants and contracts. The ultimate determination of amounts received under these programs generally is based upon allowable costs, which are subject to audit, and are reported to the U.S. Government. Recovery of indirect costs is based on predetermined rates negotiated with the government. The University is of the opinion that adjustments, if any, arising from such audits will not have a material effect on the financial statements.

From time to time, the University is involved in various legal proceedings which are in the normal course of operations. In management's opinion, the University is not currently involved in any legal proceedings which individually or in the aggregate could have a material effect on the financial condition, change in net assets and/or liquidity of the University.

(20) COVID-19 Pandemic

In March 2020, the World Health Organization declared the spread of Coronavirus Disease (COVID-19 or Pandemic) a worldwide pandemic. Between June 2020 and May 2021, the University was awarded a total of $3,782,000 from the Higher Education Emergency Relief Funds (HEERF I, II & III), which consisted of $2,320,000 for student aid and $1,462,000 for institutional aid. During the year ended June 30, 2022, the University disbursed $1,301,000 in emergency financial aid grants to students and allocated $1,250,000 to cover COVID-19 testing costs incurred by the University. All funds awarded under these grants had been disbursed as of June 30, 2022.

(21) Related-Party Transactions

Members of the Board and senior management may, from time to time, be associated, either directly or indirectly, with companies doing business with the University. The University has a written conflict-of-interest policy that requires annual disclosures from members of the Board, senior management, and other designated employees of any actual or potential conflicts of interest, including business or employment relationships or significant financial interests in businesses with which the University conducts business. No such relationships have been disclosed that are considered to be material to the financial statements.

Additionally, certain gifts and pledges to the University are received annually by Board members. All such business activity is conducted in accordance with the University's normal business practices.

Mortgage loans due from faculty and staff of $45,661,000 and $44,652,000 as of June 30, 2023 and 2022, respectively, are included within investments on the statement of financial position.

(22) Subsequent Events

The University has evaluated subsequent events for potential recognition and/or disclosure in the June 30, 2023 financial statements through October 27, 2023, the date the financial statements were available to be issued.