KPMG

THE WASHINGTON AND LEE UNIVERSITY

Financial Statements

June 30, 2025

(With Independent Auditors’ Report Thereon)

THE WASHINGTON AND LEE UNIVERSITY

June 30, 2025

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Management's Discussion and Analysis

Highlights from 2024-25

- University grants and scholarships were awarded to 59.0% of the undergraduates with the average institutional grant or scholarship award at $65,835. In 2014-15, the corresponding figures were 49.8% of undergraduates with average institutional award of $41,287.
- Endowment (including Trusts Held by Others) per Student finished the year at $979,721. At June 30, 2015, this value was $651,294. In other words, this increase in value of 50.5% has been captured over the past decade even with the endowment distributing between 4% and 5% of its value annually.
- The University invested $39.0 million into capital projects in 2024-25. Among the major projects that were advanced were the new Williams School building on Washington Street (opened in the summer 2025), expansion of the Marketplace in Elrod Commons (completed in August 2024), the Lindley Center for Student Health and Wellness (opened in the summer 2025) and Phase 1 of the Utility Infrastructure Project to shift from steam to low-temperature hot water distribution.
- The University funded 732 students for the "Full W&L Experience' in 2024-25 with a total level of support of $3.72 million. Students benefitted from support for research, internships, and study away opportunities as part of this strategic initiative.
- New gifts, pledges and estate commitments totaled $197.0 million in 2024-25, the largest year in giving in over the University's history. The year was highlighted by the $132 million commitment from Bill Miller '72 to allow the University to become need-blind in undergraduate admissions.
- With distributions in excess of $20 million in 2024-25, cumulative gifts and distributions directly from her and through the Lettie Pate Evans Restricted Fund and Lettie Pate Evans Whitehead Foundation stand in excess of $300 million showing the power of compounding. The gift that represented W&L's original interest in the L.P. Evans Restricted Fund was valued at just over $5 million at the time of her death. At June 30, 2025, the value of the interest stood at $673.8 million. In May 2024, in recognition of the philanthropy of Lettie Pate Whitehead Evans, the university established the Lettie Pate Evans Society to recognize extraordinary philanthropy among women. The Society initially included 54 inaugural members, and had grown to 230 members by June 30, 2025.

Muted Revenues but continued Expense Growth

2024-25 represented the second consecutive year in which the university's revenues were dampened by the imposition of the 5% cap on endowment payout in spite of strong philanthropic results. Endowment payout increased by $2.08 million, distributions from Trusts Held by Others climbed by $1.7 million, and gifts and grants increased by $750 thousand. Overall revenues grew by $3.72 million, or just 1.7%, over the prior year.

Expenses grew at a lesser rate than in 2023-24 but still climbed by $8.8 million, or 4.0%. From a functional standpoint, growth in Instruction and Institutional Support led the way with them being up 4.3% and 9.6%, respectively. Compensation which represents the largest expenditure at the university at 60% of expenses grew by 4.7%. Supplies and services increased by $2.56 million or 5.0% as the impact of expanded services and inflation drove spending higher.

With expenses growing faster than revenues the university experienced a modest operating deficit of $3.75 million. The weakening of operating results over the last couple of years led the University administration to put in place certain expense controls for 2025-26 with the goal to return to balanced or modest surpluses going forward.

After three years in which the cumulative return on endowment was just 0.1%, investment returns showed more robust results in 2024-25. Investment returns on the endowment substantially improved in 2024-25 with a return of 9.4%. This return bodes well for future growth in endowment payout. As noted above, given the returns of the prior three years, endowment payout grew only modestly in 2024-25 due to the 5% spending cap. In May 2025, the Board of Trustees adopted a new endowment payout formula that blends an inflationary adjusted spending level and a 12-quarter rolling average of endowment values. It is believed that this revised formula will yield more predictable and steadier long-term growth in endowment payout over time.

With the strong return environment as well as philanthropic support, the internal endowment grew by $103 million in in 2024-25, putting it at $1.476 billion. Likewise, we saw an increase in the value of Trusts Held by Others of $42.5 million from $670.1 million to $712.6 million reflecting the strong public equity market returns. These when combined with the reduction in long-term debt with principal payments being made in 2023-24 led to net assets increasing by $261 million to $2.55 billion.

This growth in 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 10.8% increase in total assets over the past year. From $2.606 billion as of June 30, 2024, the university's assets rose to $2.892 billion as of June 30, 2025. The increase was driven by the increase in investments (primarily endowment), value of Trusts Held by Others and Contributions Receivable. Increases in Right-of-Use assets and Land Buildings and Equipment offset decreases in Cash and Bond Proceeds. Total assets have grown by $927 million, or 47.0%, over the last decade.

The major asset categories for the university are presented in Figure 1.

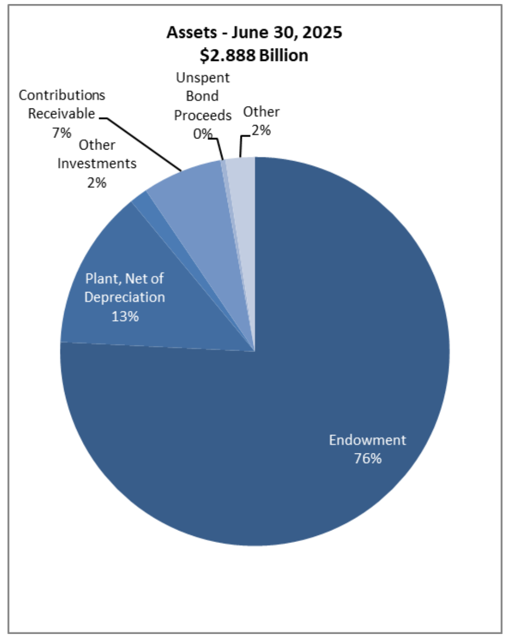

Figure 1

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 grew from $2.043 billion as of June 30, 2024 to $2.188 billion as of June 30, 2025. This establishes a new high watermark for the endowment eclipsing the June 30, 2021 value of $2.092 billion. (See Figure 2)

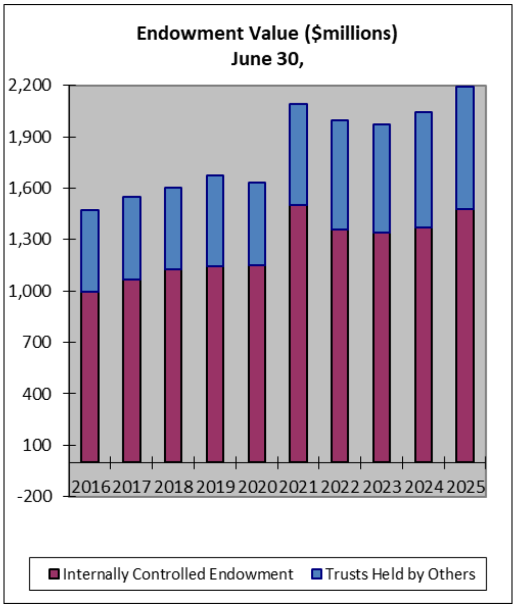

Figure 2

Investment returns for the internally managed endowment were a positive 9.4% in 2024-25. This return coupled with strong gift streams into the endowment more than offset the allocation from endowment for operating support of $70.9 million. The value of the endowment managed by the University grew from 1.373 billion at June 30, 2024 to $1.476 billion at June 30, 2025. The endowment benefitted from new gifts and pledge payments of $51.4 million over the year. This represents the second largest level of gift additions to the endowment in three decades.

The market value of Trusts Held by Others saw a marked increase over the year of 6.4% to $712.6 million. The distributions from the thirty-three trusts that the University benefits from grew by $1.67 million to $21.1 million in 2024-25. The Lettie Pate Evans Restricted Fund Trust accounted for $20.15 million of this amount.

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 facult.

During the 2024-25 year, the University completed the phase 2 expansion of the Marketplace in Elrod Commons. In addition, the University continued construction of the new Williams School building on Washington Street. The project opened in the summer of 2025 and represents the second largest project on the campus from a cost perspective. The University also continued construction of the Lindley Center for Student Health and Wellness which also opened at the end of the summer of 2025. In addition, over the summer of 2025, the University replaced the Washburn Tennis Courts (below the footbridge), and began Phase1 of the Utility Infrastructure project that will allow the University to move closer to carbon neutral in the coming years.

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; Founders Hall, the 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, 2025, contributions receivable was valued at $191.1 million. This is up from $67.2 million at June 30, 2024, reflecting the growth in commitments in support of the University's strategic plan. As we see continued fundraising momentum for the strategic plan, we 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, 2025, proceeds of $12.1 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 $52.3 million at the end of this most recent fiscal year, down slightly from $56.1 million at the end of fiscal year 2024. The decrease reflects the combination distributions to beneficiaries netted by new additions and market return. In addition, the University holds $9.1 million of operating funds within investments.

Liabilities

On the other side of the ledger, the University has liabilities totaling $336.7 million. Four types of liabilities comprise 94% of this total: debt, future annuity payments, operating lease liabilities and postretirement benefits. (See Fig. 3)

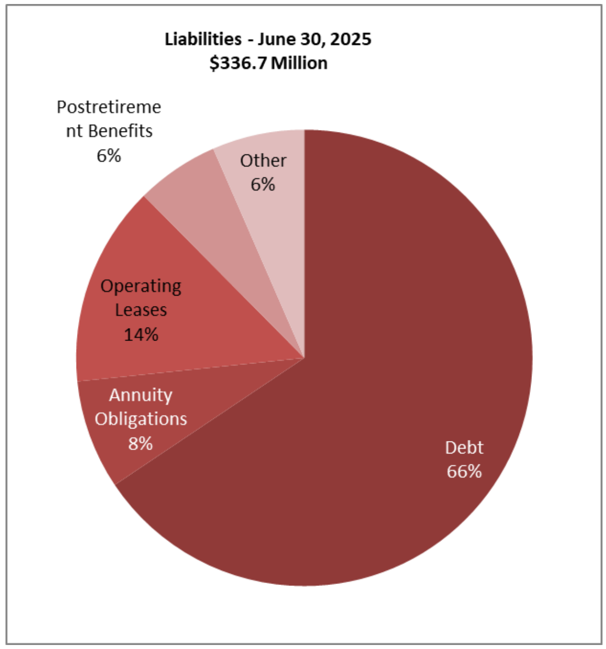

Figure 3

Debt: Washington and Lee University's largest liability is long-term debt that has been incurred over the years to support capital building projects. Debt at the university as of June 30, 2025 stands at $220.9 million. Over the past year, the university made $6.55 million of payments toward principal and $9.47 million in interest payments. Total debt is composed of seven different instruments, with five being tax-exempt issues through either the Virginia College Building Authority or the Lexington City Industrial Development Authority. Taxable debt represents 29.0% of the total outstanding debt. Of the outstanding debt at June 30, 2025, 93.2% is fixed rate and 6.8% is variable rate debt. Maturities extend to 2048 with interest rates ranging for fixed rate debt from 1.68% to 5.75%. It is worth noting that the two oldest debt issues, the 1998 and 2001 VCBA Notes, totaling $58.4 million are noncallable. (See Fig. 4)

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. These strong ratings reflect outside agencies' positive evaluations of the University's financial health and its ability to repay its obligations.

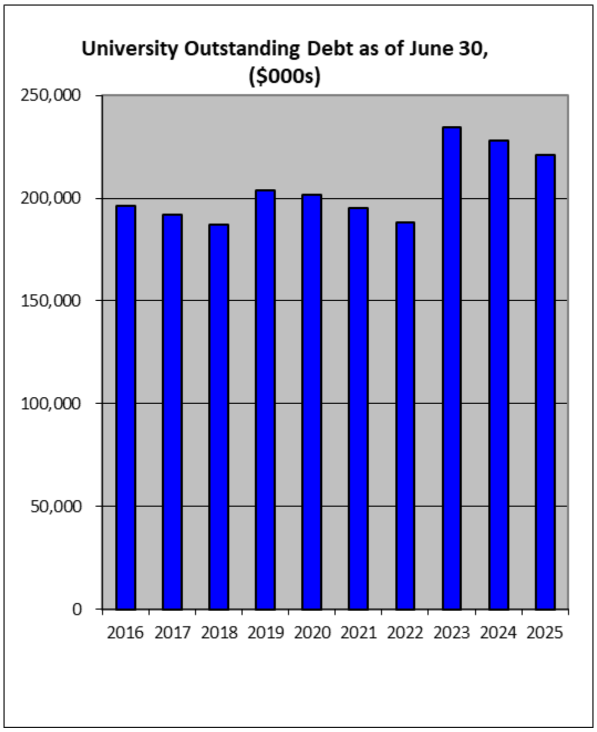

Figure 4

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 7.1% 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 $47.9 million as of June 30, 2025. There is an offsetting asset of $44.6 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, 2025, this liability was recorded at $26.1 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 $19.8 million, up slightly from $19.3 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 a lowering 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 grow modestly to $403.9 million, an increase of $3.4 million from the prior year.

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 (1,437 individual endowment accounts) and Trusts Held by Others (33 such instruments). The value of this net asset component increased in 2024-25 from $1.89 billion to $2.15 billion. The increase resulted from returns for the year as well as new gifts and pledge payments made in the 2024-25 year.

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

Table 1

Summary Statement of Financial Position June 30, 2025 ($000s)	
Assets:	
Cash and Cash Equivalents	$ -
Accounts and Notes Receivable	14,353
Contributions Receivable, net	191,058
Inventories	1,192
Investments	1,519,363
Funds Held in Trust by Others	716,329
Unspent Bond Proceeds	12,095
Assets Restricted to Investment in Plant	9,804
Right-of-use assets, Operating Leases, net	44,583
Land, Buildings and Equipment, net	383,103
Total Assets	$ 2,891,880
Liabilities:	
Accounts and Other Payables	$ 14,450
Accrued Compensation	3,889
Student and Other Deposits	1,373
Deferred Revenue	1,148
U.S. Government Grants Refundable	35
Annuity Obligations	26,072
Operating Lease Liabilities	47,866
Other Obligations	1,175
Long-term Debt	220,879
Postretirement Benefit Obligations	19,768
Total Liabilities	336,655
Net Assets:	
Without Donor Restrictions	403,885
With Donor Restrictions	2,151,340
Total Net Assets	2,555,225
Total Liabilities and Net Assets	$ 2,891,880

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.

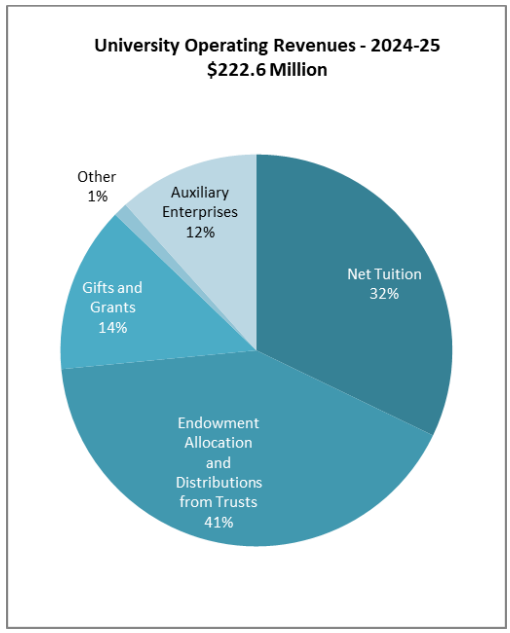

Figure 5

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 2024-25, the University incurred a cost on average of $107,646 per undergraduate student for educational and student services. The stated tuition and mandatory fees, including full room and board, were $86,730 and the average tuition and fees paid by families after scholarships and grants was $47,810. Every student received a subsidy toward their education of $20,916, and for 59.0% 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 2024-25, net tuition revenues declined by 0.6% to $71.6 million. This decline is largely attributable to growth in financial aid in 2024-25 as the University had received a spendable gift for 2024-25 that allowed the entering first-year undergraduate class to be admitted through need-blind admissions. An endowment gift from Bill Miller '72 in 2024-25 ensures that all future undergraduate classes will be admitted under a need-blind admissions policy going forward allowing for every student to be admitted based on their qualifications and interests rather than an ability to pay. As we look forward, we would anticipate as we achieve that goal, net tuition revenues will become less significant as a revenue source while endowment payout will become a more significant factor as a source of revenue.

Table 2 outlines the operating results for the year.

Table 2

Summary Statement of Activities June 30, 2025 ($000s)	
Revenues:	
Tuition and Fees (net of $70,769 for student financial aid)	71,557
Endowment Return Allocated to Operations	70,884
Income from Funds Held in Trust by Others	21,097
Contributions and Grants	30,544
Auxiliary Enterprises (net of $6,772 of aid)	25,910
Other	2,594
Total	222,586
Expenses:	
Instructional	98,275
Academic Support	37,628
Student Services	21,067
Institutional Support	32,148
Auxiliary Enterprises	37,213
Total	226,331
Operating Surplus	(3,745)
Increase in Net Assets from Non-Operating Activities	264,460
Change in Net Assets	$ 260,715

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 ($70.8 million); this is also the case with Auxiliary Enterprise revenues which reflect an aid discount of $6.8 million. Finally, within the Academic Support expenses, there is $6.3 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 2024-25 was $83.9 million reaching 59.0% 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 41.3% of the operating revenues in 2024-25, at $92.0 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 2024-25, the University's internal endowment payout was governed by the 5% cap rule which limited the growth of payout per unit from the prescribed approach of increasing it by inflation plus one percent. The formula for determining payout was modified to a "hybrid" formula to take effect in the 2025-26 year.

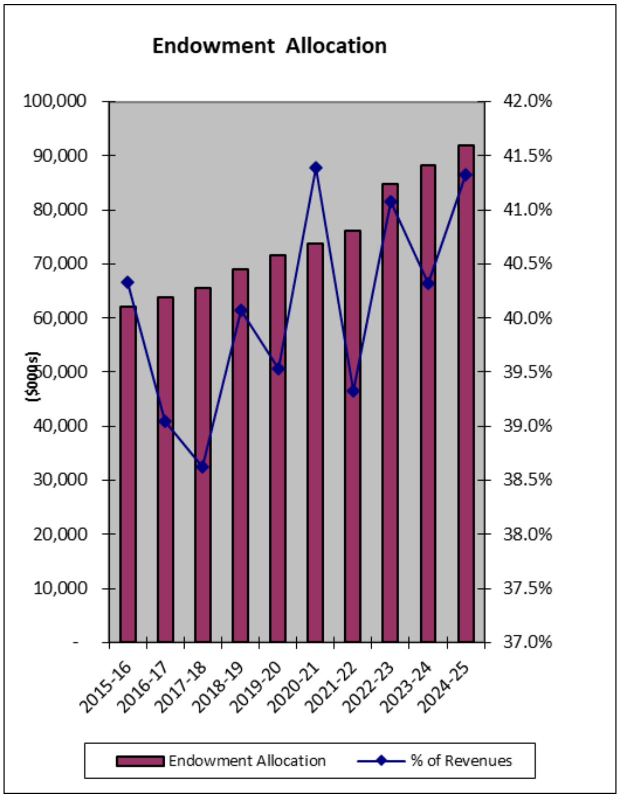

Figure 6

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 2024-25, the W&L Fund yielded a $10.89 million result, an all-time high for the fund. This comes at a time when annual funds across the country are facing headwinds and declines in giving 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. With the public phase of the Campaign, *Leading Lives of Consequence*, at full-speed, the 2025-26 W&L Fund 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 $30.5 million in expendable contributions and grants in 2024-25 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 $610 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 60.0% of total expenses. Fig. 7 also demonstrates that only 14.2% 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 (60.1% versus 51.0%). The University's aggregate expenses per student, however, fall below the average expense per student of the peers by $12,866.

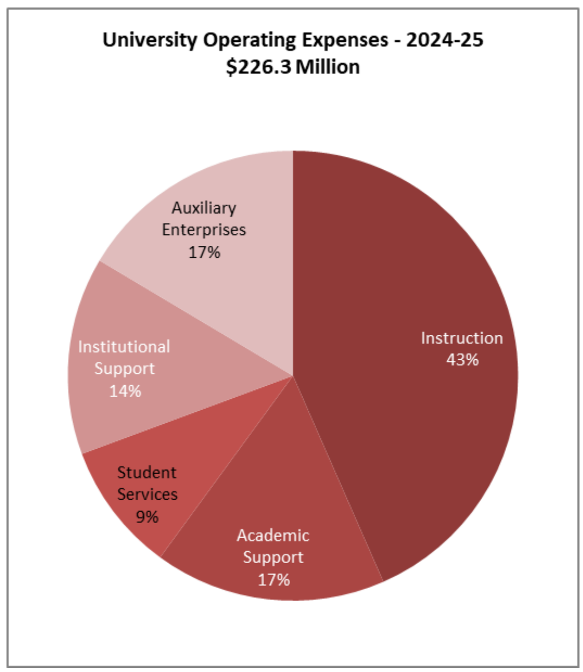

Figure 7

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 2023-24 (the most recent with comparative information), Washington and Lee posted a ratio of 0.224. This was the third lowest among the Top-25 liberal arts institutions as defined by U.S. News where the mean of the group was 0.348. For W&L, this ratio has increased slightly to .237 for fiscal year 2024-25.

Results from Operations reflect an operating deficit of $3.75 million versus an operating surplus of $1.30 million in 2024. This swing from surplus to deficit reflected weakened revenue growth, primarily attributable to constrained endowment payout and continued inflationary pressures impacting compensation and goods and services. The administration is tasked with addressing both revenues and expenses over the coming year to again achieve a balanced budget no later than 2026-27.

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 $21.75 million but does include principal payments on debt and the annual allocation to capital projects. The administration has worked with the Board of Trustees to implement a practice to better sustain capital renewal over the long-term with additional dollars to be allocated to capital reserves beginning in 2027. In addition, the university will continue to focus on significant fundraising to support specific projects within the capital program as an additional source of funding and believe that the prudent use of debt is appropriate for funding large scale capital investments. We believe that this multifaceted approach to facilities capital management is a reasonable and thoughtful and will strengthen our position to avoid a significant accumulation of deferred maintenance.

Outlook

As we turn attention to 2025-26, the University faces additional challenges in the form of continued higher-than-normal inflation and a federal landscape that has altered programs, regulations and created a sense of uncertainty for higher education. 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 remains the envy of most in higher education.

With our continued focus on the implementation of the strategic plan and the capital campaign to support it, we will ensure the continued sustainability of the institution as one of the premier institutions in higher education. We operate with a tried-and-true objective of 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. This is reflected in the financial statements: an endowment per student ranking among the nation's top 25 institutions; a financial aid program that expands access for the most deserving students; an academic program that continually enhances curricular engagement; and ongoing efforts to help students not only succeed but thrive as responsible global citizens.

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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, 2025, 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, 2025, 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 2024 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 28, 2024. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2025, is consistent, in all material respects, with the audited financial statements from which it has been derived.

KPMG LLP

Richmond, Virginia
October 28, 2025

THE WASHINGTON AND LEE UNIVERSITY

Statement of Financial Position

June 30, 2025
(with summarized comparative information as of June 30, 2024)

(In thousands)

Assets		2025	2024
Cash and cash equivalents	$	—	5,368
Accounts receivable and other assets, net		10,890	11,328
Notes receivable, net		3,463	3,540
Contributions receivable, net		191,058	67,210
Inventories		1,192	1,199
Investments		1,519,363	1,440,297
Funds held in trust by others		716,329	670,139
Unspent bond proceeds		12,095	26,113
Assets restricted to investment in land, buildings, and equipment		9,804	8,429
Right-of-use assets, operating leases, net		44,583	17,454
Land, buildings, and equipment, net		383,103	355,249
Total assets	$	2,891,880	2,606,326
Liabilities and Net Assets			
Liabilities:			
Accounts and other payables	$	14,450	10,974
Accrued compensation		3,889	3,578
Student and other deposits		1,373	1,428
Deferred revenue		1,148	837
U.S. government grants refundable		35	99
Split interest agreement obligations		26,072	30,650
Operating lease liabilities		47,866	20,127
Other obligations		1,175	710
Long-term debt		220,879	227,840
Postretirement benefit obligation		19,768	19,289
Total liabilities		336,655	315,532
Commitments and contingencies			
Net assets:			
Without donor restrictions		403,885	400,450
With donor restrictions		2,151,340	1,890,344
Total net assets		2,555,225	2,290,794
Total liabilities and net assets	$	2,891,880	2,606,326

See accompanying notes to financial statements.

THE WASHINGTON AND LEE UNIVERSITY

Statement of Activities

Year ended June 30, 2025
(with summarized comparative information for the year ended June 30, 2024)

(In thousands)

	2025			2024
	Without donor restrictions	With donor restrictions	Total	Total
Operating revenues and gains:				
Tuition and fees (net of $70,769 in 2025 and $66,443 in 2024 for student financial aid)	$ 71,557	—	71,557	72,016
Endowment return allocated to operations	60,004	10,880	70,884	68,807
Other investment income	1,824	(10)	1,814	3,662
Distributions from funds held in trust by others	21,032	76	21,108	19,431
Contributions	14,959	13,623	28,582	26,299
Auxiliary enterprises (net of $6,772 in 2025 and $6,165 in 2024 for student financial aid)	25,910	—	25,910	24,175
Governmental and other grants	—	1,951	1,951	3,476
Other	551	229	780	998
Net assets released from restrictions	17,198	(17,198)	—	—
Total operating revenues and gains	213,035	9,551	222,586	218,864
Operating expenses:				
Instruction	98,275	—	98,275	94,265
Academic support	37,628	—	37,628	36,399
Student services	21,067	—	21,067	21,362
Institutional support	32,148	—	32,148	29,331
Auxiliary enterprises	37,213	—	37,213	36,206
Total operating expenses	226,331	—	226,331	217,563
Change in net assets from operating activities	(13,296)	9,551	(3,745)	1,301
Nonoperating activities:				
Investment return, net of amount allocated to operations	8,144	53,462	61,606	10,129
Change in value of funds held in trust by others	—	46,189	46,189	38,398
Split interest agreements, net	(1,522)	(2,953)	(4,475)	(4,243)
Contributions	—	166,481	166,481	33,606
Net assets released for fixed asset acquisitions	11,734	(11,734)	—	—
Postretirement charges other than service cost and other actuarial changes	(1,605)	—	(1,605)	(227)
Other, net	(20)	—	(20)	(11)
Total nonoperating activities	16,731	251,445	268,176	77,652
Change in net assets	3,435	260,996	264,431	78,953
Net assets:				
Beginning of year	400,450	1,890,344	2,290,794	2,211,841
End of year	$ 403,885	2,151,340	2,555,225	2,290,794

See accompanying notes to financial statements.

THE WASHINGTON AND LEE UNIVERSITY

Statement of Cash Flows

Year ended June 30, 2025
(with summarized comparative information for the year ended June 30, 2024)

(In thousands)

		2025	2024
Cash flows from operating activities:			
Change in net assets	$	264,431	78,953
Adjustments to reconcile change in net assets to net cash and cash equivalents used in operating activities:			
Net realized and unrealized gain on investments		(125,243)	(72,823)
Depreciation and amortization		21,750	20,909
Loss on disposal of fixed assets		1,408	10
Contributions restricted for long-term investment in endowment and plant		(60,757)	(38,551)
Interest and dividends restricted for long-term investment		(640)	(650)
Changes in assets and liabilities:			
Accounts receivable and other assets, net		516	(521)
Contributions receivable, net		(123,848)	(9,682)
Inventories		7	34
Funds held in trust by others		(46,189)	(38,398)
Accounts and other payables		2,541	(2,047)
Student and other deposits		(55)	31
Deferred revenue		311	—
U.S. government grants refundable		(64)	(86)
Split interest agreement obligations		(1,724)	4,001
Postretirement benefit obligations		478	(724)
Net cash and cash equivalents used in operating activities		(67,078)	(59,544)
Cash flows from investing activities:			
Purchases of land, buildings, and equipment, including interest capitalized		(48,893)	(36,715)
Purchases of investments restricted to land, buildings, and equipment		(8,488)	(8,331)
Proceeds from sale of investments		474,291	403,179
Purchases of investments		(402,750)	(331,663)
Net cash and cash equivalents provided by investing activities		14,160	26,470
Cash flows from financing activities:			
Principal payments on capital lease obligations		(208)	(207)
Interest and dividends restricted for long-term investment		640	649
Proceeds from contributions restricted for long-term investment in endowment and plant		56,883	34,793
Payments on split interest agreements		(3,215)	(3,340)
Principal payments on long-term debt		(6,550)	(6,225)
Net cash and cash equivalents provided by financing activities		47,550	25,670
Net decrease in cash and cash equivalents		(5,368)	(7,404)
Cash and cash equivalents:			
Beginning of year		5,368	12,772
End of year	$	—	5,368
Supplemental disclosure of cash flow information:			
Cash paid during the year for interest, net of amounts capitalized	$	9,474	9,877

Noncash investing and financing activities, in thousands:
At June 30, 2025 and 2024, $4,700 and $2,190, respectively, of fixed asset purchases were included in accounts and other payables.

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 1,900 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 funds held in trust by others (see note 9) 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, 2025 is presented with certain summarized comparative information for the year ended June 30, 2024 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, 2024 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.

(Continued)

(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 gains and losses) is recorded in the statement of activities.

(i) Land, Buildings, and Equipment

Land, buildings, and equipment, net, 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 10.6% to 0.4% at June 30, 2025 and 2024.

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, 2025 and 2024 was (in thousands):

		2025	2024
Undergraduate	$	121,722	117,238
Law		19,712	20,610
Other		892	611
Less student financial aid		(70,769)	(66,443)
Total	$	71,557	72,016

Net auxiliary enterprises revenue consists of the following for the years ended June 30, 2025 and 2024 (in thousands):

		2025	2024
Residence and dining services, net of student financial aid	$	21,091	19,378
Retail operations and other auxiliary services		4,819	4,797
Total	$	25,910	24,175

(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, 2025 and 2024, the University recognized nonfinancial gifts of $65,000 and $6,000, 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.

(Continued)

(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 7 for additional information with respect to fair value measurements.

(3) Liquidity and Availability

As of June 30, 2025 and 2024, 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):

		2025	2024
Cash and cash equivalents	$	—	5,368
Accounts and other receivables		2,096	2,974
Contributions receivable		9,447	4,319
Investments		2,584	4,529
Expected endowment return allocation		70,884	68,807
Total	$	85,011	85,997

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, 2025 or 2024, respectively.

In addition, as of June 30, 2025, the University had assets available from restricted financial assets to meet expected construction costs of $9,804,000 and unspent bond proceeds of $12,095,000.

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 11.

In addition, the University maintains cash balances as part of the investment pool supporting the endowment. At times, the University utilizes internally restricted cash held in the investment pool for short-term liquidity needs. As of June 30, 2025, the University held $73,495,000 of cash and cash equivalents in the investment pool, which is reflected in investments in the statement of financial position.

 (Continued)

(4) 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, 2025 and 2024 (in thousands):

		2025	2024
Less than one year	$	73,014	29,527
One year to five years		130,015	36,749
Over five years		5,503	7,126
Total contributions receivable, gross		208,532	73,402
Less allowance for uncollectible contributions		(1,914)	(676)
Total contributions receivable, net of allowance		206,618	72,726
Discount (rates ranging from 0.55% to 4.74%)		(15,560)	(5,516)
Total	$	191,058	67,210

(5) Land, Buildings, and Equipment

Land, buildings, and equipment, net at June 30, 2025 and 2024 consist of the following (in thousands):

		2025	2024
Land	$	6,124	6,124
Land improvements		27,268	25,543
Buildings and improvements		556,564	520,990
Equipment		85,146	89,771
Art properties		5,745	5,676
		680,847	648,104
Less accumulated depreciation and amortization		(344,865)	(333,750)
		335,982	314,354
Construction in progress		47,121	40,895
Total	$	383,103	355,249

(6) 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.

(Continued)

The participation in the pool and ownership of the other investments at June 30, 2025 and 2024 for each class of net asset is as follows (in thousands):

		Without donor restrictions	With donor restrictions	Total
2025:				
Net assets:				
Investment pool	$	279,911	1,178,062	1,457,973
Annuity and life income		—	52,290	52,290
Other		9,100	—	9,100
Investments as of June 30, 2025	$	289,011	1,230,352	1,519,363

		Without donor restrictions	With donor restrictions	Total
2024:				
Net assets:				
Investment pool	$	294,892	1,083,307	1,378,199
Annuity and life income		—	56,098	56,098
Other		6,000	—	6,000
Investments as of June 30, 2024	$	300,892	1,139,405	1,440,297

Investments are comprised of the following at June 30, 2025 and 2024 (in thousands):

		2025	2024
Short-term investments	$	74,524	45,503
Equities		151,052	165,451
Equity method investments		6,510	—
Fixed income		57,189	47,319
Real assets		40,547	44,423
Hedge funds		408	536
Mortgage loans to faculty and staff		47,900	47,331
Multi-Asset Class (see below) *		914,873	878,483
Private equity/venture capital		226,360	211,251
Total	$	1,519,363	1,440,297

* 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):

2025		Without donor restrictions	With donor restrictions	Total
Interest and dividend income	$	3,157	5,904	9,061
Net appreciation in fair value of investments, including investment expenses of $9,596		23,682	101,561	125,243
Total investment return		26,839	107,465	134,304
Less:				
Investment return allocated under spending policy		(16,871)	(54,013)	(70,884)
Other investment returns		(1,824)	10	(1,814)
Investment return net of amount allocated to operations	$	8,144	53,462	61,606

2024		Without donor restrictions	With donor restrictions	Total
Interest and dividend income	$	4,743	5,032	9,775
Net appreciation in fair value of investments, including investment expenses of $8,242		13,520	59,303	72,823
Total investment return		18,263	64,335	82,598
Less:				
Investment return allocated under spending policy		(16,389)	(52,418)	(68,807)
Other investment returns		(3,655)	(7)	(3,662)
Investment return net of amount allocated to operations	$	(1,781)	11,910	10,129

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 84% and 85% of the University's endowment funds were held at Makena as of June 30, 2025 and 2024, 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, 2025 and 2024 was allocated across the following asset classes as follows:

	2025	2024
Equity	37 %	33 %
Real estate	12	16
Private equity	34	35
Fixed income	12	11
Cash	5	5

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, 2025 and 2024, as well as liquidity and funding commitments for those investments at June 30, 2025 (in thousands):

	Net Asset Value		Unfunded	Redemption frequency (if currently	Redemption
	2025	2024	commitments	available)	notice period
Equities	$ 45,315	47,240	—	*	*
Real assets	36,626	40,523	29,863	*	*
Multi-Asset Class	914,873	878,483	1,490	Annual	1 year
Private equity/venture capital	226,360	211,251	159,079	*	*

* 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.

(7) 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, 2025 (in thousands):

	June 30, 2025	Fair value measurements at reporting date using Level 1	Level 2	Level 3	NAV[1]
Assets:					
Investments:					
Short-term investments	$ 74,524	74,255	269	—	—
Equities	151,052	105,701	36	—	45,315
Fixed income	57,189	54,848	2,021	320	—
Real assets	40,547	—	3,921	—	36,626
Hedge funds	408	408	—	—	—
Mortgage loans to faculty and staff	47,900	—	47,900	—	—
Multi-Asset Class	914,873	—	—	—	914,873
Private equity/venture capital	226,360	—	—	—	226,360
Total investments	1,512,853	235,212	54,147	320	1,223,174
Funds held in trust by others	716,329	—	—	716,329	—
Total assets	$ 2,229,182	235,212	54,147	716,649	1,223,174

[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, 2025.

In addition to assets measured at fair value, the University holds investments of $6,510,000 that are accounted for under the equity method. These investments are included in investments on the statement of financial position, but are not presented in the table above.

The following table presents assets and liabilities that are measured at fair value on a recurring basis at June 30, 2024 (in thousands):

	June 30, 2024	Fair value measurements at reporting date using Level 1	Level 2	Level 3	NAV[1]
Assets:					
Investments:					
Short-term investments	$ 45,503	45,243	260	—	—
Equities	165,451	118,211	—	—	47,240
Fixed income	47,319	43,006	3,993	320	—
Real assets	44,423	674	3,226	—	40,523
Hedge funds	536	536	—	—	—
Mortgage loans to faculty and staff	47,331	—	47,331	—	—
Multi-Asset Class	878,483	—	—	—	878,483
Private equity/venture capital	211,251	—	—	—	211,251
Total investments	1,440,297	207,670	54,810	320	1,177,497
Funds held in trust by others	670,139	—	—	670,139	—
Total assets	$ 2,110,436	207,670	54,810	670,459	1,177,497

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, 2024.

(8) 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, 2025, the University holds 1548 endowment funds, of which 1437 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, 2025 (in thousands):

		Without donor restrictions	With donor restrictions	Total
Donor-restricted endowment funds	$	—	1,173,550	1,173,550
Board-designated endowment funds		302,351	—	302,351
Total endowed net assets	$	302,351	1,173,550	1,475,901

Endowment net assets consist of the following at June 30, 2024 (in thousands):

		Without donor restrictions	With donor restrictions	Total
Donor-restricted endowment funds	$	—	1,079,019	1,079,019
Board-designated endowment funds		294,067	—	294,067
Total endowed net assets	$	294,067	1,079,019	1,373,086

Net assets for donor-restricted endowment funds held in perpetuity were $666,988,000 and $615,145,000 as of June 30, 2025 and 2024, respectively.

(Continued)

Changes in endowment net assets for the years ended June 30, 2025 and 2024 are as follows (in thousands):

		Without donor restrictions	With donor restrictions	Total
Endowment net assets, June 30, 2023	$	293,675	1,048,476	1,342,151
Investment return:				
Investment income		1,413	4,924	6,337
Net appreciation		14,760	51,464	66,224
Contributions and pledge payments		608	26,573	27,181
Appropriation for expenditure		(16,389)	(52,418)	(68,807)
Endowment net assets, June 30, 2024		294,067	1,079,019	1,373,086
Investment return:				
Investment income		1,483	5,738	7,221
Net appreciation		23,638	91,463	115,101
Contributions and pledge payments		34	51,343	51,377
Appropriation for expenditure		(16,871)	(54,013)	(70,884)
Endowment net assets, June 30, 2025	$	302,351	1,173,550	1,475,901

(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 $568,000 and $887,000 as of June 30, 2025 and 2024, 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 applied spending rate was 5.00% for the years ended June 30, 2025 and 2024.

(9) 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, 2025 and 2024, the fair value of the University's interest was reported by the trustees as $673,844,000 and $631,880,000, respectively. During the years ended June 30, 2025 and 2024, the University received distributions of $20,156,000 and $18,418,000, respectively, from the Lettie Pate Evans Foundation, Inc. Restricted Fund.

At June 30, 2025 and 2024, the University maintained an interest in 32 other trusts with fair values of the University's interest, as reported by the trustees of approximately $42,485,000 and $38,259,000, respectively, and received distributions for the years ended June 30, 2025 and 2024 of $1,067,000 and $1,219,000, respectively, including $126,000 and $206,000 that was contributed to the endowment for the years ended June 30, 2025 and 2024, respectively.

(10) 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 the implicit rate is 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 2050. 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 4.61% and 1.94% and weighted average remaining term of 23.7 years and 17.1 years as of June 30, 2025 and 2024, respectively. The University has a finance lease of equipment that expires in fiscal 2028.

The components of lease expense for the fiscal years ended June 30, 2025 and 2024 are as follows (in thousands):

		2025	2024
Lease cost:			
Operating lease cost	$	2,484	1,429
Finance lease cost:			
Amortization of right-of-use assets		56	199
Interest on lease liabilities		14	13
	$	2,554	1,641

Future minimum lease payments and reconciliation to operating lease liabilities at June 30, 2025 are as follows (in thousands):

		Operating leases
2026	$	2,208
2027		2,327
2028		2,475
2029		2,619
2030		2,713
Thereafter		73,164
Total		85,506
Less present value discount		(37,640)
Lease liabilities	$	47,866

(11) Long-Term Debt

Long-term debt consists of the following obligations at June 30, 2025 and 2024 (in thousands):

		2025	2024	Final maturity	Interest rates
Virginia College Building Authority (VCBA):					
1998 Note, includes unamortized premium of $202 and $266, and unamortized debt issuance cost of $92 and $111, respectively (A)	$	34,574	39,405	January 2031	5.25%
2001 Note, includes unamortized premium of $905 and $1,003, and unamortized debt issuance cost of $82 and $92, respectively (B)		23,873	24,025	January 2034	5.75%
2015A Note, includes unamortized premium of $0 and $13 and unamortized debt issuance cost of $0 and $5, respectively (C)		—	979	January 2025	5.00%
2023 Note, includes unamortized debt issuance costs of $219 and $231, respectively (D)		52,481	52,469	June 2044	3.90%

		2025	2024	Final maturity	Interest rates
Industrial Development Authority of the City of Lexington:					
2018A Note, includes unamortized premium of $2,992 and $3,317 and issuance cost of $271 and $283 (E)	$	30,806	31,586	June 2048	5.00 %
2018B Note, includes unamortized issuance cost of $77 and $81 (F)		15,034	15,029	June 2043	Variable
2019 Note, includes unamortized issuance cost of $251 and $265 (G)		37,459	37,445	January 2043	3.38 %
2021 Note, includes unamortized issuance cost of $343 and $358 (H)		26,652	26,902	January 2040	1.68%-3.00%
	$	220,879	227,840		

(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 on 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 on 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) Interest payments are paid monthly, in arrears, beginning on July 1, 2023 and continuing until maturity in June 2044. Principal payments will be due annually, commencing in June 2026. At June 30, 2025, approximately $12,095,000 of the proceeds from the issuance of the 2023 Bonds remained unspent within a money market account and will be used to fund construction projects. 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, 2025 ranged from 4.08% to 4.90%.

(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) Semi-annual Interest payments began July 1, 2022, with annual principal payments commencing on January 1, 2023, and continuing until maturity in January 2040.

Aggregate principal payments due for the next five fiscal years are: 2026 – $7,050,000; 2027 – $7,430,000; 2028 – $7,810,000; 2029 – $8,205,000, 2030 – $8,635,000 and thereafter – $178,975,000.

Revolving Credit Agreement

The University has a Revolving Credit agreement with Truist Bank that permits the University to borrow through April 20, 2026 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, 2025, the University had $15,000,000 available under this facility.

(12) Net Assets

Net assets at June 30, 2025 were as follows (in thousands):

		Without donor restrictions	With donor restrictions	Total
Operations	$	(22,622)	30,318	7,696
Student loan funds		—	6,439	6,439
Net investment in plant		141,569	—	141,569
Physical plant acquisitions		—	9,805	9,805
Quasi endowment funds		302,351	—	302,351
Donor restricted endowment		—	1,173,550	1,173,550
Contributions receivable		2,349	189,039	191,388
Split-interest agreements		6	25,860	25,866
Trust held by others		—	716,329	716,329
Post-retirement		(19,768)	—	(19,768)
Total	$	403,885	2,151,340	2,555,225

Net assets at June 30, 2024 were as follows (in thousands):

		Without donor restrictions	With donor restrictions	Total
Operations	$	(13,553)	33,553	20,000
Student loan funds		—	6,245	6,245
Net investment in plant		138,083	—	138,083
Physical plant acquisitions		—	8,429	8,429
Quasi endowment funds		294,067	—	294,067
Donor restricted endowment		—	1,079,019	1,079,019
Contributions receivable		282	67,324	67,606
Split-interest agreements		860	25,635	26,495
Trust held by others		—	670,139	670,139
Post-retirement		(19,289)	—	(19,289)
Total	$	400,450	1,890,344	2,290,794

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, 2025 were as follows (in thousands):

Operations:		
Financial aid	$	5,028
Program support		9,292
Other		2,223
Net investment in plant		655
		17,198
Nonoperations:		
Net assets released for fixed asset acquisitions		11,734
Total	$	28,932

(13) Expenses

Expenses for the year ended June 30, 2025 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	$ 70,535	14,657	—	10,465	2,618	98,275	—	98,275
Academic support	19,639	15,423	—	2,300	266	37,628	—	37,628
Student services	14,070	4,789	10	1,057	1,141	21,067	—	21,067
Institutional support	18,206	12,881	(1)	918	144	32,148	919	33,067
Auxiliary enterprises	13,209	5,771	7,820	7,401	3,012	37,213	—	37,213
Total	$ 135,659	53,521	7,829	22,141	7,181	226,331	919	227,250

Expenses for the year ended June 30, 2024 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	$ 66,785	14,326	—	10,117	3,037	94,265	—	94,265
Academic support	19,013	14,861	—	2,223	302	36,399	—	36,399
Student services	13,294	5,774	13	1,022	1,259	21,362	—	21,362
Institutional support	18,176	10,104	—	888	163	29,331	1,255	30,586
Auxiliary enterprises	12,286	5,899	7,434	7,154	3,433	36,206		36,206
Total	$ 129,554	50,964	7,447	21,404	8,194	217,563	1,255	218,818

(14) 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, 2025 and 2024 were as follows (in thousands):

	2025	2024
Service cost (benefits attributed to employee service during the year)	$ 568	559
Interest cost on accumulated postretirement benefit obligation	998	989
Amortization of prior service cost	(79)	266
Net periodic postretirement benefit cost	$ 1,487	1,814

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 rate used in determining the accumulated postretirement benefit obligation (APBO) as of June 30, 2025 and 2024 was 5.25%. The assumed health care cost trend used in measuring the accumulated postretirement benefit obligation was 6.5% in 2025, 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, 2025 and 2024 (in thousands):

		2025	2024
Change in benefit obligation:			
Accumulated benefit obligation, beginning of year	$	19,289	20,013
Service cost		568	559
Interest cost		998	989
Actuarial gain		607	(762)
Net benefits paid		(1,694)	(1,510)
Accumulated benefit obligation, end of year	$	19,768	19,289
Amount not yet recognized in net periodic benefit cost and included in net assets without donor restrictions:			
Net actuarial gain	$	(1,802)	(2,487)
Prior service cost		—	—
	$	(1,802)	(2,487)

Projected postretirement health benefits expected to be paid in each of the next five fiscal years are: 2026 – $1,539,000; 2027 – $1,701,000, 2028 – $1,835,000 and 2029 – $1,913,000, 2030 – $1,969,000. An additional $9,958,000 is expected to be paid for the fiscal years 2031 through 2035.

Total employer and participant contributions are $1,694,000 and $163,000, respectively, for the year ended June 30, 2025. Total benefits paid for the year ended June 30, 2025 are $1,857,000. Total employer and participant contributions are $1,510,000 and $167,000, respectively, for the year ended June 30, 2024. Total benefits paid for the year ended June 30, 2024 are $1,677,000. The expense discount rate for the years ended June 30, 2025 and 2024 were 5.25% and 5.0%, respectively.

(15) Commitments

The University's contractual commitments for capital expenditures totaled approximately $22,875,000 at June 30, 2025, and are comprised of the following (in thousands):

Building Construction and Major Renovations	$	13,240
Utility Infrastructure Improvements		7,717
Facilities Maintenance		1,918
	$	22,875

(16) 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 32% and 41% of total funds held in trust by others for the periods ended June 30, 2025 and 2024, respectively.

(17) 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.

(18) 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 $47,900,000 and $47,331,000 as of June 30, 2025 and 2024, respectively, are included within investments on the statement of financial position.

(19) Subsequent Events

The University has evaluated subsequent events for potential recognition and/or disclosure in the June 30, 2025 financial statements through October 28, 2025 the date the financial statements were issued.