KPMG

THE WASHINGTON AND LEE UNIVERSITY

Financial Statements

June 30, 2021

(With Independent Auditors' Report Thereon)

THE WASHINGTON AND LEE UNIVERSITY

June 30, 2021

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Management's Discussion and Analysis

Highlights from 2020-21

- University grants and scholarships were awarded to 53.6% of the undergraduates with the average institutional grant or scholarship award at $53,337. In 2011, the corresponding figures were 46.0% of undergraduates with average institutional award of $35,338.
- Endowment (including Trusts Held by Others) per Student finished the year at $958,800. At June 30, 2011, this value was $560,834. In other words, this increase in value of 71% has been captured over the past decade even with the endowment distributing between 4% and 5% of its value annually.
- The University opened the new Duchossois Athletic and Recreation Center. The project was completed on schedule and within budget. The University opened the Harte Center for Teaching and Learning in the spring of 2021. The University also began phase 1 of the Elrod Commons which will create the Center for Inclusion and Engagement with it being slated to be completed in the summer of 2022.
- Total endowment assets and funds held in trust by others ended the fiscal year at $2.092 billion, a new high watermark. The endowment managed by the University finished the year at $1.504 billion while trusts held by others were at $588.4 million.
- University received new gifts and pledges of $26.9 million with $8.8 million being earmarked for endowments and $6.2 million for facilities.

Focus on the Student in an Abnormal Environment

Following the 2019-20 year in which the University had to complete the last six weeks of the academic calendar remotely due to the pandemic, the University endeavored to return to a residential campus and environment in the fall of 2020. The logistical tasks and mitigating actions required to do so were planned over the spring and summer of 2020 and then executed by a campus of faculty and staff committed to providing as close to a normal environment as possible considering the continuation of COVID-19 throughout the world. The efforts of the community to operate on-campus should not be taken lightly with special gratitude owed to the COVID-19 Committee who met over 100 times through the year to address emerging matters and adapt our plan to continue to operate in-person.

Against this challenging operational background, the University saw financial performance improve over budgeted levels with endowment values rebounding in the quarter ended June 30, 2020 to levels that kept the University from imposing the 5% endowment cap on spending and benefitting from significant operating savings from diminished activities on and off campus to underwrite the costs associated with mitigating the impact of COVID-19 and costs associated with the work of the Board of Trustee's Special Committee on W&L's Symbols and Name. This coupled with continued strength in investment markets has yielded a strong operational result and aggregate financial resources that ensures W&L's pathway forward.

When combined with the focus on the strategic plan with efforts to build on the four principles: Community, Curriculum, Citizenship and Campus. The University is positioned to reach the absolute best students and provide an environment in which students not only succeed but thrive. These periods of challenge are not new or even unusual for W&L. Our history shows an ability to rise above challenges and overcome the adversity. It is through this resilience that we stand today with greater resources and greater opportunities than ever before and with a firm belief that the University will advance in the coming years to a place that is both stronger financially and even better at providing students an incredible array of opportunities both in and out of the classroom. 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 19.0% increase in total assets over the past year. From $2.102 billion as of June 30, 2020, the University's assets jumped to $2.582 billion as of June 30, 2021. This increase was almost entirely driven by the strong investment return for the University's endowment as well as market value growth of our share of trusts held by others. With this increase in the 2020-21 year, assets have increased by $968 million, or 60.6%, over the last decade. The major asset categories for the University are presented in Figure 1.

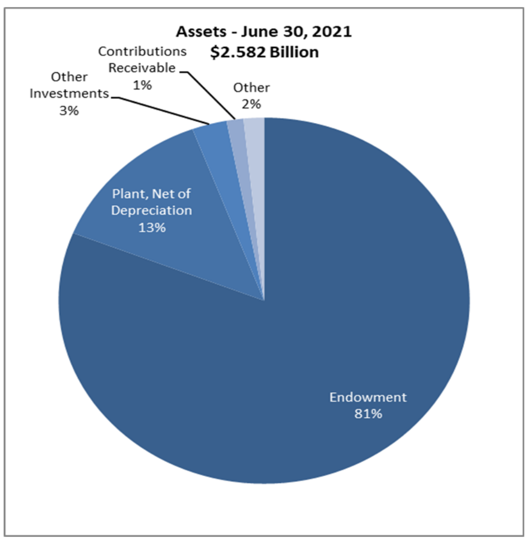

Figure 1

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 to $2.092 billion as of June 30, 2021 a new high watermark and a significant gain in value from $1.630 billion at June 30, 2020 (See Fig. 2).

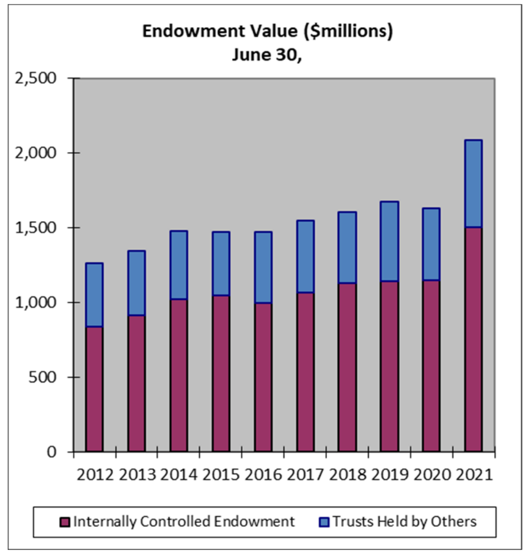

Figure 2

Investment returns for the internally managed endowment were up with an astonishing +36.0% return. This positive return coupled with new gifts and additions to the endowment of $18.1 million more than offset the allocation from endowment for operating support of $57.2 million. The internally controlled endowment grew from $1.151 billion at June 30, 2020 to $1.504 billion as of June 30, 2021, an increase of $353 million. The market value of Trusts Held by Others increased over the year primarily led by the growth in the value of the stock of The Coca-Cola Company within the Lettie Pate Evans Restricted Fund Trust. The trust experienced an increase in market value of 25.1% over the year. The distributions from the Evans Trust as well as the thirty-six other trusts that the University benefits from grew as well by $366,000 to $16.68 million in 2020-21.

Returns on a nominal basis for endowment funds with external managers well exceeded the University's long-term expected return (35.4% actual versus 7.5% targeted). Over the longer term, the annual return for the ten-year period ended June 30, 2021 of 9.2% exceeds annualized spending from the endowment as well as the long-term return assumption. While not yet having full peer data to assess these results on a relative basis, the administration is pleased with the performance of the endowment. If one of the goals of endowment management is to achieve strong long-term returns at lesser volatility, then we believe the Board of Trustees' Investment Committee has achieved this objective. Based on the data that we do have, we believe the endowment return in 2020-21 will fall in the top quartile of endowment returns in higher education.

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

During the 2020-21 year, the University opened the new Duchossois Athletic and Recreation Center with it being completed in the summer of 2020. Significant funding of the Duchossois Athletic and Recreation Center came from fundraising with the balance funded through allocations from operations and debt. Beyond this project, the University completed the Harte Center for Teaching and Learning. This new resource in Leyburn Library that supports both students and faculty opened in the spring of 2021. Finally, the University began the phase one renovation of Elrod Commons. This renovation will create the Center for Inclusion and Engagement as well as renovate other student-centered spaces and create a new suite of offices for Student Affairs on the third floor of the Commons.

Beyond these, the current strategic plan includes eight other major capital projects to be completed over the next decade. These include expansion of the Williams School including the renovation of Huntley Hall, a new Admissions and Financial Aid Center, a Museum for Institutional History, the expansion and renovation of the Science Center complex and a Softball Field Complex among others. 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, 2021, contributions receivable were valued at $34.4 million. This is down from $38.7 million at June 30, 2020, reflecting the collection on pledges in recent years. As fundraising for the strategic plan gains momentum, we would anticipate contributions receivables to grow in future years.

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 $70.4 million at the end of this most recent fiscal year, up from $59.4 million at the end of fiscal year 2020. The increase reflects the combination of new additions and investment performance offset by distributions.

Liabilities

On the other side of the ledger, the University has liabilities totaling $281.6 million. Three types of liabilities comprise 93% of this total: debt, future annuity payments and postretirement benefits. (See Fig. 3)

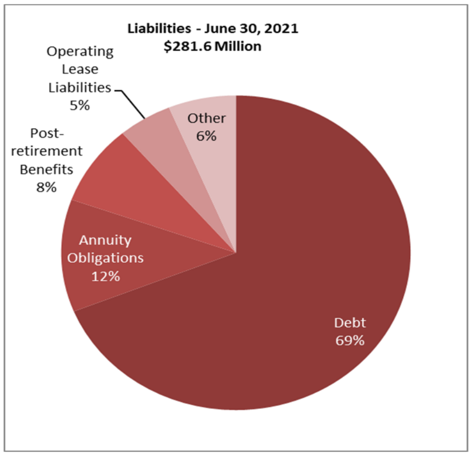

Figure 3

Debt: Washington and Lee University's largest liability is long-term debt that has been incurred over the years to support capital building projects. No new debt was taken on in the past year. Debt at the University now stands at $195.4 million. Over the past year, the University made $5.24 million of payments toward principal and $8.42 million in interest payments. Total debt is composed of six 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 7.7% of the total outstanding debt. Of the outstanding debt at June 30, 2020, 92% is fixed rate and 8% is variable rate debt. Maturities extend to 2048 with interest rates ranging for fixed rate debt from 2.25% to 5.75%. It is worth noting that the 1998 and 2001 VCBA Notes, totaling $76.9 million are noncallable.

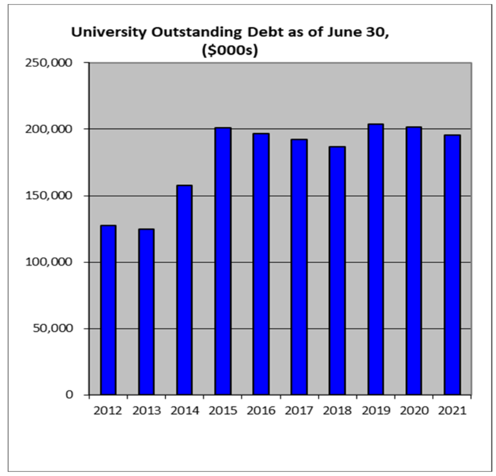

Figure 4

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. Both of these ratings include a "Stable" outlook from the agencies. These strong ratings reflect outside agencies' positive evaluations of the University's financial health and its ability to repay its obligations.

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 8.0% 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.

While not a part of the University's debt, the institution has entered into a number of operating leases (primarily related to lease of property that are used for offices and classrooms) which create a liability. Beginning with this year, this liability must be recognized within the financial statements.

There is an offsetting asset for the "right-of-use" of the 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, 2021, this liability was recorded at $32.8 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 $23.4 million, up from $23.2 million a year ago. This benefit is expensed annually through operations and the plan is not funded. The University altered this plan for employees hired after April 1, 2003, to shift to a defined contribution plan for employees rather than a defined benefit plan. This will lead to an elimination of this obligation over the very long-term.

Net Assets

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

Without Donor Restrictions: These funds can be expended if necessary, and as such, they carry the greatest level of flexibility for the University to meet its long-term obligations. The build-up of these funds results from operating surpluses, the creation of quasi-endowments from large unrestricted gifts (113 such endowments today), investment returns and the development of reserves over the years. The University saw this class of net assets increased substantially by $80.6 million to $450.6 million at June 30, 2021.

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 (1,339 individual endowment accounts) and Trusts Held by Others (35 such instruments). The value of this net asset component increased dramatically by $389.9 million to $1.846 billion. The increase can almost be entirely explained by the strong investment returns experienced within the endowment and Trusts Held by Others in the 2021 fiscal year. Of these funds, $697.9 million are temporarily restricted by time or purpose and $1.152 billion are permanently restricted. Table 1 summarizes the University's Statement of Financial Position.

Table 1

Summary
Statement of Financial Position
June 30, 2021 ($000s)

Assets:		
Cash and cash equivalents	$	12,071
Accounts and notes receivable		14,111
Contributions receivable, net		34,380
Inventories		1,213
Investments		1,574,647
Funds held in trust by others		588,367
Assets restricted to investment in plant		1,771
Right-of-use assets, operating leases, net		12,225
Land, buildings and equipment, net		343,714
Total assets	$	2,582,499
Liabilities:		
Accounts and other payables	$	8,213
Accrued compensation		2,628
Student and other deposits		1,454
Deferred revenue		1,965
U.S. Government Grants Refundable		514
Annuity obligations		32,807
Operating lease liabilities		14,156
Other obligations		1,040
Long-term debt		195,374
Postretirement benefit obligations		23,417
Total liabilities		281,568

Summary
Statement of Financial Position
June 30, 2021 ($000s)

Net assets:		
Without donor restrictions		450,631
With donor restrictions		1,850,300
Total net assets		2,300,931
Total liabilities and net assets	$	2,582,499

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.

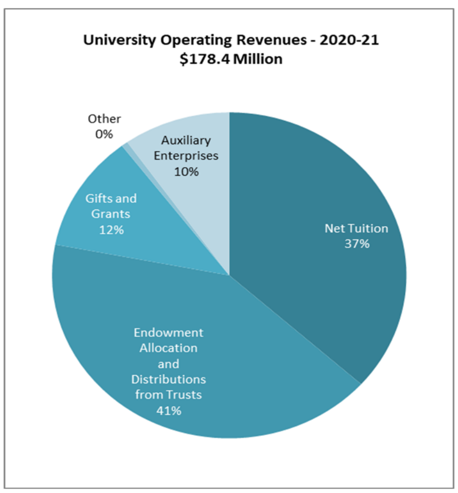

Figure 5

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 2020-21, the University incurred a cost on average of $83,914 per student for educational and student services. The stated tuition and mandatory fees rate was $73,095 and the average tuition and fees paid by families after financial aid was just $44,789. Every student received a subsidy toward their education of at least $10,819, and for over one-half 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 2020-21, net tuition revenues increased by 3.9% to $65.4 million. This gain is largely attributable to the increase in tuition and fees for the year. While financial aid continues to be a significant priority for the University, it is recognized that until there is additional endowment support, the University will need to continue to be need-aware on admission decisions for the last 5 - 10% of the entering class each year. Over the long-term as we aspire to move to need-blind admissions with new endowment support, net tuition revenue growth will likely moderate. Revenues from endowment, however, will grow more rapidly allowing the University to continue to attract the very best students without regard to financial circumstances.

Table 2 outlines the operating results for the year.

Table 2

Summary
Statement of Activities
June 30, 2021 ($000s)

Revenues:		
Tuition and fees (net of $54,003 for student financial aid)	$	65,375
Endowment return allocated to operations		57,165
Income from funds held in trust by others		16,677
Contributions and grants		20,713
Auxiliary enterprises (net of $3,853 of aid)		17,424
Other		1,062
Total		178,416
Expenses:		
Instructional		76,311
Academic Support		26,483
Student Services		14,780
Institutional Support		25,403
Auxiliary Enterprises		28,357
Total		171,334
Operating surplus		7,082
Increase in net assets from non-operating activities		467,214
Change in net assets	$	474,296

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 ($54.00 million); this is also the case with Auxiliary Enterprise revenues which reflect an aid discount of $3.85 million. Finally, within the Academic Support expenses, there is $5.93 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 2020-21 was $63.8 million reaching 54% 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 41.4% of the operating revenues in 2020-21, at $73.8 million. This source has grown in importance as a portion of the revenue stream (See Fig. 6). As a result, diligence of management of the underlying assets and considerations of payout allocation models are as important, if not more important, than a decade ago. In 2020-21, the University followed its normal spending formula of increasing unit endowment spending over the prior year by inflation plus one percent. This yielded a payout rate of 4.99%. Law School endowments retained the supplemental increased payout adopted by the Board of Trustees for a sixth and final year at 6.5%.

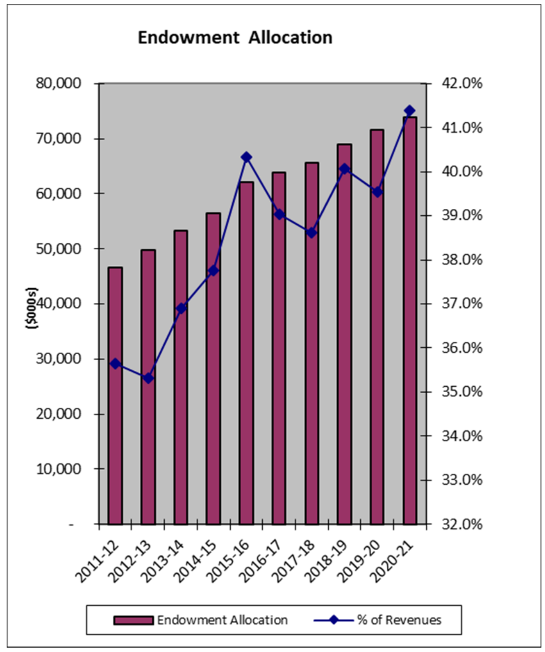

Figure 6

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 2020-21, the Annual Fund yielded a $9.21 million result, in spite of the challenges of the environment relative to the University's name decision and the headwinds that Annual Funds across the country have experienced in recent years. The University made the decision to allow for directed giving as part of the Annual Fund campaign in 2020-21, and yet the majority of gifts were made as unrestricted support for the highest need. 2021-22 will have as a focus efforts to rebuild the fund from this dip in both dollar and participation.

These gifts without restrictions underwrite all aspects of University life. In the aggregate, Washington and Lee received $20.7 million in expendable contributions and grants in 2020-21 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 $414 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 56% of total expenses. Fig. 7 also demonstrates that only 14.8% 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 (61.9% versus 51.3%). The University's aggregate expenses per student, however, fall below the average expense per student of the peers by $9,500.

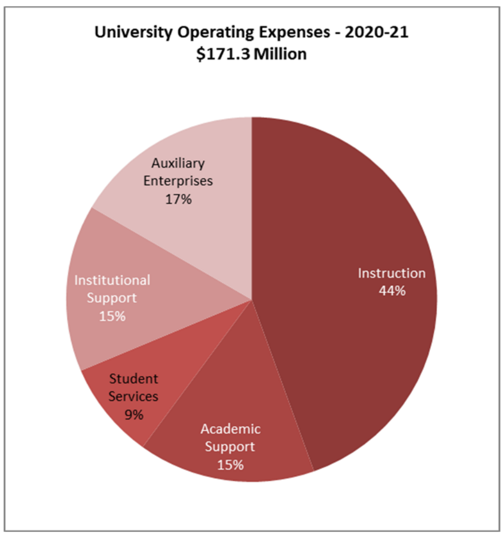

Figure 7

It is also worth noting that this operational was recently 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 2020 (the most recent with comparative information), Washington and Lee posted a ratio of 0.22. 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 0.32.

Results from Operations reflect an operating surplus of $7.083 million versus an operating deficit of $6.679 million in 2020. This surplus resulted from the strength of net tuition revenues, endowment payout and lower operating expenses as a result of COVID-19.

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 $19.19 million but does include principal payments on debt and the annual allocation to capital projects. Additionally, the Board of Trustees approved a change in the University's Reserves Policy in 2014 that was intended to increase the annual allocation to Capital Reserves, the combination of which should be able to substitute for Depreciation budgeting. As the University looks at Reserves and the policies associated with them in the 2021-22 year, this practice will be examined to ensure that appropriate reserves are being allocated over time to provide a long-term best practice solution for construction of the operating budget. Beyond these steps, we also pursue significant fundraising to support specific projects within the capital program as an additional source of funding. We believe that this comprehensive approach to facilities capital management is a reasonable and thoughtful approach and strengthens our position to avoid a significant accumulation of deferred maintenance.

Outlook

In building the 2021-22 operating budget, the University anticipated that results for the year would continue to improve as enrollments remained strong and investment markets played their role to ensure that endowment payout could grow at a steady pace. In addition, with the lessons learned in 2020-21 relative to operating in the pandemic, the University felt even greater comfort of having students on campus and the ability to operate more closely to normal. With the name decision made and commitments from the Board of Trustees toward Diversity, Equity and Inclusion initiatives, we also enter the year in which we can work to rebuild a sense of community around the shared values of the institution. While the work is not completed and the environment is not fully normal, we continue to keep focus on the important objectives of the strategic plan in advancing the institution and its ability to serve its students.

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

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Independent Auditors' Report

The Board of Trustees
The Washington and Lee University:

We have audited the accompanying financial statements of The Washington and Lee University (the University), which comprise the statement of financial position as of June 30, 2021, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles; this includes 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.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of The Washington and Lee University as of June 30, 2021, 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.

Emphasis of Matter

As discussed in note 2 to the financial statements, as of July 1, 2020, the University adopted new accounting guidance: Accounting Standards Update (ASU) No. 2016-02, *Leases (Topic 842)*, as amended. Our opinion is not modified with respect to this matter.

Report on Summarized Comparative Information

We have previously audited the University's 2020 financial statements, and we expressed an unmodified audit opinion on those financial statements in our report dated October 26, 2020. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2020 is consistent, in all material respects, with the audited financial statements from which it has been derived.

KPMG LLP

Richmond, Virginia
October 27, 2021

THE WASHINGTON AND LEE UNIVERSITY

Statement of Financial Position

June 30, 2021
(with summarized comparative information as of June 30, 2020)

(In thousands)

Assets		2021	2020
Cash and cash equivalents	$	12,071	9,946
Accounts receivable and other assets, net		10,295	10,248
Notes receivable, net		3,816	4,198
Contributions receivable, net		34,380	38,690
Inventories		1,213	1,652
Investments		1,574,647	1,210,113
Funds held in trust by others		588,367	479,413
Assets restricted to investment in land, buildings, and equipment		1,771	91
Right-of-use assets, operating leases, net		12,225	—
Land, buildings, and equipment, net		343,714	347,401
Total assets	$	2,582,499	2,101,752
Liabilities and Net Assets			
Liabilities:			
Accounts and other payables	$	8,213	12,627
Accrued compensation		2,628	5,207
Student and other deposits		1,454	304
Deferred revenue		1,965	1,407
U.S. government grants refundable		514	731
Split interest agreement obligations		32,807	29,334
Operating lease liabilities		14,156	—
Other obligations		1,040	1,231
Long-term debt		195,374	201,062
Postretirement benefit obligation		23,417	23,212
Total liabilities		281,568	275,115
Commitments and contingencies			
Net assets:			
Without donor restrictions		450,631	370,068
With donor restrictions		1,850,300	1,456,569
Total net assets		2,300,931	1,826,637
Total liabilities and net assets	$	2,582,499	2,101,752

See accompanying notes to financial statements.

THE WASHINGTON AND LEE UNIVERSITY

Statement of Activities

Year ended June 30, 2021
(with summarized comparative information for the year ended June 30, 2020)

(In thousands)

		2021			
		Without donor restrictions	**With donor restrictions**	**Total**	**2020 Total**
Operating revenues and gains:					
Tuition and fees (net of $54,003 in 2021 and $53,318 in 2020 for student financial aid)	$	65,375	—	65,375	62,940
Endowment return allocated to operations		48,214	8,951	57,165	55,285
Other investment income		537	178	715	862
Distributions from funds held in trust by others		16,605	72	16,677	16,311
Contributions		18,025	222	18,247	27,423
Auxiliary enterprises (net of $3,853 in 2021 and $3,226 in 2020 for student financial aid)		17,424	—	17,424	15,825
Governmental and other grants		—	2,466	2,466	2,122
Other		284	63	347	332
Net assets released from restrictions		13,481	(13,481)	—	—
Total operating revenues and gains		179,945	(1,529)	178,416	181,100
Operating expenses:					
Instruction		76,311	—	76,311	80,141
Academic support		26,483	—	26,483	27,895
Student services		14,780	—	14,780	14,994
Institutional support		25,403	—	25,403	23,893
Auxiliary enterprises		28,357	—	28,357	27,498
Total operating expenses		171,334	—	171,334	174,421
Change in net assets from operating activities		8,611	(1,529)	7,082	6,679
Nonoperating activities:					
Investment return, net of amount allocated to operations		72,131	280,839	352,970	(23,839)
Change in value of funds held in trust by others		—	108,192	108,192	(54,545)
Split interest agreements, net		9	(10,271)	(10,262)	225
Contributions		—	17,236	17,236	19,714
Net assets released for fixed asset acquisitions		720	(720)	—	—
Postretirement charges other than service cost and other actuarial changes		(862)	—	(862)	(1,656)
Other, net		(46)	(16)	(62)	(2,681)
Total nonoperating activities		71,952	395,260	467,212	(62,782)
Change in net assets		80,563	393,731	474,294	(56,103)
Net assets:					
Beginning of year		370,068	1,456,569	1,826,637	1,882,740
End of year	$	450,631	1,850,300	2,300,931	1,826,637

See accompanying notes to financial statements.

THE WASHINGTON AND LEE UNIVERSITY

Statement of Cash Flows

Year ended June 30, 2021
(with summarized comparative information for the year ended June 30, 2020)

(In thousands)

		2021	2020
Cash flows from operating activities:			
Change in net assets	$	474,294	(56,103)
Adjustments to reconcile change in net assets to net cash and cash equivalents used in operating activities:			
Net realized and unrealized gains on investments		(407,184)	(27,197)
Depreciation and amortization		19,192	18,439
Loss on extinguishment of long-term debt		—	2,363
Loss on disposal of fixed assets		—	320
Contributions restricted for long-term investment in endowment and plant		(18,310)	(26,248)
Interest and dividends restricted for long-term investment		(2,323)	(626)
Changes in assets and liabilities:			
Accounts receivable and other assets, net		335	(2,508)
Contributions receivable, net		4,310	2,966
Inventories		439	(37)
Funds held in trust by others		(108,954)	54,545
Accounts and other payables		(3,249)	344
Student and other deposits		1,150	49
Deferred revenue		558	(147)
U.S. government grants refundable		(217)	(448)
Split interest agreement obligations		9,719	1,217
Postretirement benefit obligations		205	1,132
Net cash and cash equivalents used in operating activities		(30,035)	(31,939)
Cash flows from investing activities:			
Purchases of land, buildings, and equipment, including interest capitalized		(17,764)	(32,417)
Proceeds from sales of land, buildings, and equipment		—	4
Purchases of investments restricted to land, buildings, and equipment		(5,415)	(6,028)
Proceeds from sale of investments		332,342	388,563
Purchases of investments		(283,293)	(345,433)
Net cash and cash equivalents provided by investing activities		25,870	4,689
Cash flows from financing activities:			
Principal payments on capital lease obligations		(198)	(196)
Interest and dividends restricted for long-term investment		2,323	603
Proceeds from contributions restricted for long-term investment in endowment and plant		16,506	26,223
Payments of debt issuance costs		—	(334)
Payments on split interest agreements		(7,106)	(3,298)
Proceeds from issuance of long-term debt		—	37,710
Principal payments on long-term debt		(5,235)	(41,987)
Net cash and cash equivalents provided by financing activities		6,290	18,721
Net increase (decrease) in cash and cash equivalents		2,125	(8,529)
Cash and cash equivalents:			
Beginning of year		9,946	18,475
End of year	$	12,071	9,946
Supplemental disclosure of cash flow information:			
Cash paid during the year for interest, net of amounts capitalized	$	8,423	9,068

Noncash investing and financing activities, in thousands:
At June 30, 2021 and 2020, $178 and $1,985, respectively, of fixed asset purchases were included in accounts and other payables.
For the year ending June 30, 2020, the University incurred capital lease obligations of $715 for equipment leases.

See accompanying notes to financial statements.

(1) Description of Organization

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

(2) Summary of Significant Accounting Policies

(a) Basis of Financial Statement Presentation

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

(b) Use of Estimates

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

(c) Classification of Net Assets

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

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

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

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

(d) Summarized Comparative Information

The statement of activities for the year ended June 30, 2021 is presented with certain summarized comparative information for the year ended June 30, 2020 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, 2020 from which the summarized information was derived.

(e) Cash and Cash Equivalents

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

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

(f) Inventories

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

(g) Investments

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

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

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

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

(h) Funds Held in Trust by Others

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

(i) Land, Buildings, and Equipment

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

(j) Split Interest Agreement Obligations

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

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

The University also manages gift annuities, which consist of nontrust assets donated to the University in exchange for a fixed payment for a specified period of time. The gift annuities are recognized at fair value when received and included in investments in the statement of financial position. The associated liability is initially calculated at the present value of future cash flows and adjusted in subsequent periods to reflect changes in actuarial assumptions. Liabilities associated with gift annuities are included in split interest agreement obligations in the statement of financial position. The University has estimated the net realizable value of split interest agreement obligations and has concluded the carrying amounts approximate fair value. The discount rates used in calculation of split interest agreements ranged from 0.4% to 10.6% at June 30, 2021 and from 1.2% to 10.6% at June 30, 2020.

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, 2021 and 2020 was (in thousands):

		2021	2020
Undergraduate	$	101,113	96,174
Law		18,227	20,000
Other		38	84
Less student financial aid		(54,003)	(53,318)
Total	$	65,375	62,940

Net auxiliary enterprises revenue consists of the following for the years ended June 30, 2021 and 2020 (in thousands):

		2021	2020
Residence and dining services, net of student financial aid	$	13,957	11,486
Retail operations and other auxiliary services		3,467	4,339
Total	$	17,424	15,825

(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 gifts of land, buildings, and equipment 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.

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 “redesignated funds” in the statement of activities.

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

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

(m) Functional Expenses

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

(n) Operations

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

(o) Taxes

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

(p) Fair Value Measurements

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

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

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

(q) Asset Retirement Obligations

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

(r) Recent Accounting Pronouncements

In February 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842)*. This guidance requires lessees to recognize a lease liability and a right-of-use asset on a discounted basis, for substantially all leases, as well as additional disclosures regarding lease arrangements. In July 2018, the FASB issued ASU 2018-11, *Leases (Topic 842): Targeted Improvements*, which provides an optional transition method of applying the new lease standard. Topic 842 can be applied using either a modified retrospective approach at the beginning of the earliest period presented, or as permitted by ASU 2018-11, at the beginning of the period in which it is adopted, i.e., the comparatives under ASC 840 option.

The University adopted Topic 842 on July 1, 2020 (the effective date), using the comparatives under ASC 840 transition method, which applies Topic 842 at the beginning of the period in which it is adopted. Prior period amounts have not been adjusted. The University has elected the practical expedient package to not reassess at adoption (i) expired or existing contracts for whether they are or contain a lease, (ii) the lease classification of any existing leases or (iii) initial indirect costs for existing leases. The University has also elected the policy exemption that allows lessees to choose to not separate lease and non-lease components by class of underlying asset and are applying this expedient to all relevant asset classes.

The impact of adoption was the recognition of operating lease right-of-use assets and operating lease liabilities of $14,794,000 and $13,032,000, respectively, and derecognition of deferred rental obligations of $1,762,000. The accounting for existing capital leases (now referred to as finance leases) remained substantially unchanged, but resulted in a reclassification of the capital lease liability to a finance lease liability, which is included in other obligations on the statement of financial position, and a reclassification of the related assets to a finance right-of-use asset, which is included in land, building and equipment, net on the statement of financial position. As part of adopting the standard, previously recognized liabilities for deferred rental obligations and lease incentives were reclassified as a component of the right-of-use assets. The standard did not significantly affect our statements of activities or cash flows. More information on the adoption, including qualitative and quantitative disclosures is included in note 11.

In August 2016, the FASB issued ASU No. 2016-15, *Statement of Cash Flows (Topic 230) – Classification of Certain Cash Receipts and Cash Payments*. ASU 2016-15 addresses eight specific cash flow issues. The amendments in ASU 2016-15 apply to all entities, including both business entities and not-for-profit entities that are required to present a statement of cash flows under Topic 230. The University has adopted this standard for fiscal year 2021 with no material impacts to the financial statements.

In August 2018, the FASB issued ASU 2018-13, *Fair Value Measurement (Topic 820) – Disclosure Framework – Changes to the Disclosure Requirement for Fair Value Measurement*. The new guidance simplifies fair value measurement disclosures through the removal and modification of a number of investment related disclosure requirements. Certain disclosures are no longer required including amount of and reasons for transfers between Levels 1 and 2, a policy for timing of transfers between levels and valuation processes of Level 3 investments and the Level 3 rollforward table. The University has adopted this standard for fiscal year 2021 with no material impacts to the financial statements.

(s) Reclassifications

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

(3) Liquidity and Availability

As of June 30, 2021 and 2020, 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):

		2021	2020
Cash and cash equivalents	$	12,071	9,946
Accounts and other receivables		2,174	4,463
Contributions receivable		4,617	10,932
Investments		8,296	4,498
Expected endowment return allocation		57,165	55,285
Total	$	84,323	85,124

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, 2021 and 2020.

In addition, as of June 30, 2021, the University had assets available from restricted financial assets to meet expected construction costs of $1,771,000.

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

(4) Notes Receivable

Notes receivable are carried at unpaid principal balance, less an allowance for doubtful accounts, and consist of the following at June 30, 2021 and 2020 (in thousands):

	Maturity	Interest rates	2021	2020
Student financial aid:				
Federally funded aid, net of allowance for doubtful accounts of $234 and $288, respectively	Up to 10 years	3% to 5%	$ 329	509
University funded aid, net of allowance for doubtful accounts of $701 and $677, respectively	Up to 10 years	3% to 8%	3,395	3,565
Other notes:				
Miscellaneous notes	Various	Various	92	124
			$ 3,816	4,198

(5) Contributions Receivable

Contributions receivable, which are reported net of an allowance for uncollectible amounts and a present value discount, are expected to be collected as follows at June 30, 2021 and 2020 (in thousands):

	2021	2020
Less than one year	$ 16,319	15,198
One year to five years	18,650	24,031
Over five years	109	588
Total contributions receivable, gross	35,078	39,817
Less allowance for uncollectible contributions	(350)	(394)
Total contributions receivable, net of allowance	34,728	39,423
Discount (rates ranging from 0.07% to 4.89%)	(348)	(733)
Total	$ 34,380	38,690

(6) Land, Buildings, and Equipment

Land, buildings, and equipment, net at June 30, 2021 and 2020 consist of the following (in thousands):

		2021	2020
Land	$	6,124	6,124
Land improvements		23,101	23,059
Buildings and improvements		499,495	496,366
Equipment		71,456	62,803
Art properties		5,212	5,030
		605,388	593,382
Less accumulated depreciation and amortization		(270,126)	(250,484)
		335,262	342,898
Construction in progress		8,452	4,503
Total	$	343,714	347,401

(7) Investments

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

The participation in the pool and ownership of the other investments at June 30, 2021 and 2020 for each class of net asset is as follows (in thousands):

		Without donor restrictions	With donor restrictions	Total
2021:				
Net assets:				
Investment pool	$	334,073	1,175,499	1,509,572
Annuity and life income		—	56,973	56,973
Other		8,102	—	8,102
Investments as of June 30, 2021	$	342,175	1,232,472	1,574,647

(Continued)

		Without donor restrictions	With donor restrictions	Total
2020:				
Net assets:				
Investment pool	$	261,409	893,494	1,154,903
Annuity and life income		—	47,943	47,943
Other		7,267	—	7,267
Investments as of June 30, 2020	$	268,676	941,437	1,210,113

Investments are comprised of the following at June 30, 2021 and 2020 (in thousands):

		2021	2020
Short-term investments	$	30,978	41,377
Equities		170,723	116,165
Fixed income		67,307	40,297
Real assets		42,290	53,656
Hedge funds		355	2,327
Mortgage loans to faculty and staff		49,286	52,656
Multi-Asset Class (see below) *		1,014,111	774,908
Private equity/venture capital		199,597	128,727
Total	$	1,574,647	1,210,113

* 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):

2021		Without donor restrictions	With donor restrictions	Total
Interest and dividend income	$	2,127	1,539	3,666
Net appreciation in fair value of investments, including investment expenses of $9,026		118,755	288,429	407,184
Total investment return		120,882	289,968	410,850
Less:				
Investment return available under spending policy		(48,214)	(8,951)	(57,165)
Other investment returns		(537)	(178)	(715)
Investment return net of amount allocated to operations	$	72,131	280,839	352,970

2020		Without donor restrictions	With donor restrictions	Total
Interest and dividend income	$	4,209	902	5,111
Net appreciation (depreciation) in fair value of investments, including investment expenses of $7,148		39,375	(12,178)	27,197
Total investment return		43,584	(11,276)	32,308
Less:				
Investment return available under spending policy		(46,607)	(8,678)	(55,285)
Other investment returns		(691)	(171)	(862)
Investment return net of amount allocated to operations	$	(3,714)	(20,125)	(23,839)

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 two years, provides guidance on investment objectives, appropriate investment vehicles, asset allocation and spending policy for the endowment investments. In December 2007, the University 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 85% and 82% of the University's endowment funds were held at Makena as of June 30, 2021 and 2020, 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 7 asset classes and over 25 sub-asset class investment 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, 2021 and 2020 was allocated across the following asset classes as follows:

	2021	2020
Equity	41 %	37 %
Real estate	13	9
Private equity	29	28
Natural resources	—	6
Fixed income	12	18
Cash	5	2

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, 2021 and 2020, as well as liquidity and funding commitments for those investments at June 30, 2021 (in thousands):

	Fair value		Unfunded	Redemption frequency (if currently	Redemption
	June 30, 2021	June 30, 2020	commitments	available)	notice period
Equities	$ 66,337	17,594	—	*	*
Real assets	38,412	49,692	24,209	*	*
Multi-Asset Class	1,014,111	774,908	—	Annual	1 year
Private equity/venture capital	199,597	128,727	99,533	*	*

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

(8) Fair Value Measurements

(a) Fair Value of Financial Instruments

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

- Investments and funds held in trust by others: The fair values of marketable equity and debt securities are determined using quoted market prices at the reporting date multiplied by the quantity held. The carrying amount of mortgage loans to employees is determined to approximate fair value. The discount rate approximates rates currently offered by local lending institutions for loans of similar terms with comparable credit risk. 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, 2021 (in thousands):

	June 30, 2021	Fair value measurements at reporting date using Level 1	Level 2	Level 3	NAV[1]
Assets:					
Investments:					
Short-term investments	$ 30,978	14,952	16,026	—	—
Equities	170,723	104,386	—	—	66,337
Fixed income	67,307	62,318	4,669	320	—
Real assets	42,290	1,016	2,862	—	38,412
Hedge funds	355	355	—	—	—
Mortgage loans to staff and fraternities	49,286	—	49,286	—	—
Multi-Asset Class	1,014,111	—	—	—	1,014,111
Private equity/venture capital	199,597	—	—	—	199,597
Total investments	1,574,647	183,027	72,843	320	1,318,457
Funds held in trust by others	588,367	—	—	588,367	—
Total assets	$ 2,163,014	183,027	72,843	588,687	1,318,457

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, 2021.

The following table presents assets and liabilities that are measured at fair value on a recurring basis at June 30, 2020 (in thousands):

	June 30, 2020	Fair value measurements at reporting date using: Level 1	Level 2	Level 3	NAV[1]
Assets:					
Investments:					
Short-term investments	$ 41,377	40,050	1,327	—	—
Equities	116,165	98,571	—	—	17,594
Fixed income	40,297	34,442	5,535	320	—
Real assets	53,656	986	2,978	—	49,692
Hedge funds	2,327	2,327	—	—	—
Mortgage loans to staff and fraternities	52,656	—	52,656	—	—
Multi-Asset Class	774,908	—	—	—	774,908
Private equity/venture capital	128,727	—	—	—	128,727
Total investments	1,210,113	176,376	62,496	320	970,921
Funds held in trust by others	479,413	—	—	479,413	—
Total assets	$ 1,689,526	176,376	62,496	479,733	970,921

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, 2020.

(9) Endowment

Endowment is a term used commonly to refer to the resources that have been restricted by donors or designated by the Board of Trustees that will be invested to provide future revenue to support the University's activities. As of June 30, 2021, the University holds 1,442 endowment funds, of which 1,333 are true endowments (restricted by the donor), six are term endowments (restricted by the donor and the principal may be spent) and 103 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, 2021 (in thousands):

		Without donor restrictions	With donor restrictions	Total
Donor-restricted endowment funds	$	—	1,170,820	1,170,820
Board-designated endowment funds		333,233	—	333,233
Total endowed net assets	$	333,233	1,170,820	1,504,053

Endowment net assets consist of the following at June 30, 2020 (in thousands):

		Without donor restrictions	With donor restrictions	Total
Donor-restricted endowment funds	$	—	889,923	889,923
Board-designated endowment funds		260,827	—	260,827
Total endowed net assets	$	260,827	889,923	1,150,750

Net assets for donor-restricted endowment funds held in perpetuity were $552,158,000 and $534,931,000 as of June 30, 2021 and 2020, respectively.

(Continued)

Changes in endowment net assets for the years ended June 30, 2021 and 2020 are as follows (in thousands):

		Without donor restrictions	With donor restrictions	Total
Endowment net assets, June 30, 2019	$	256,542	885,808	1,142,350
Investment return:				
Investment income		171	212	383
Net appreciation		8,315	24,957	33,272
Contributions and pledge payments		7,343	22,687	30,030
Appropriation for expenditure		(11,544)	(43,741)	(55,285)
Endowment net assets, June 30, 2020		260,827	889,923	1,150,750
Investment return:				
Investment income		688	1,923	2,611
Net appreciation		83,170	306,591	389,761
Contributions and pledge payments		683	17,413	18,096
Appropriation for expenditure		(12,135)	(45,030)	(57,165)
Endowment net assets, June 30, 2021	$	333,233	1,170,820	1,504,053

(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 $0 and $349,000 as of June 30, 2021 and 2020, respectively.

(c) *Return Objectives and Risk Parameters*

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

(d) *Strategies Employed for Achieving Objectives*

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

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

The Board-approved spending formula for the endowment provides for spending the lesser of the prior year allocation incremented by a Consumer Price Index-based inflator, 6% of the three-year average of fair values at June 30, or a 5% ceiling related to the June 30 fair value. This model is often referred to as a constant growth spending formula. The calculated spending rate was 4.99% and 4.77% for the years ended June 30, 2021 and 2020, respectively.

(10) Funds Held in Trust by Others

The majority of the funds held in trust by others comes from Letitia P. Evans' bequest of 15% of the annual net income of the Lettie Pate Evans Foundation, Inc. Restricted Fund. At June 30, 2021 and 2020, the fair value of the University's interest was reported by the trustees as $545,520,000 and $435,953,000, respectively. During the years ended June 30, 2021 and 2020, the University received distributions of $15,693,000 and $15,361,000, respectively, from the Lettie Pate Evans Foundation, Inc. Restricted Fund.

At June 30, 2021 and 2020, the University maintained an interest in 35 other trusts with fair values of the University's interest, as reported by the trustees of approximately $42,847,000 and $43,460,000, respectively, and received distributions for the years ended June 30, 2021 and 2020 of $984,000 and $950,000, respectively.

(11) Leases

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

The University has various real estate operating leases for offices that expire in years through fiscal 2042. The terms of these leases vary and certain of these leases provide for increasing rent over the term of the lease. The University's operating leases had a weighted average discount rate of 1.0% and weighted-average remaining term of 15.5 years as of June 30, 2021. The University has various finance leases of equipment that expire in years through fiscal 2025.

The components of lease expense for the fiscal year ended June 30, 2021 are as follows (in thousands):

		2021
Lease cost:		
Operating lease cost	$	975
Finance lease cost:		
Amortization of right-of-use assets		156
Interest on lease liabilities		7
	$	1,138

Future minimum lease payments and reconciliation to operating lease liabilities at June 30, 2021 are as follows (in thousands):

		Operating leases
2022	$	842
2023		878
2024		914
2025		925
2026		964
Thereafter		10,973
Total		15,496
Less present value discount		(1,340)
Lease liabilities	$	14,156

(12) Long-Term Debt

Long-term debt consists of the following obligations at June 30, 2021 and 2020 (in thousands):

	Final maturity	Interest rates		2021	2020
Virginia College Building Authority (VCBA):					
1998 Note, includes unamortized premium of $501 and $584, and unamortized debt issuance cost of $166 and $185, respectively (A)	January 2031	5.03%–5.05%	$	52,539	52,604
2001 Note, includes unamortized premium of $1,205 and $1,306, and unamortized debt issuance cost of $123 and $134, respectively (B)	January 2034	5.00%–5.75%		24,382	28,507
2015A Note, includes unamortized premium of $3,855 and $4,017 and unamortized debt issuance cost of $245 and $255, respectively (C)	January 2040	2.25%–5.00%		31,790	32,777

	Final maturity	Interest rates		2021	2020
Industrial Development Authority of the City of Lexington:					
2018A Note, includes unamortized premium of $4,773 and $4,949 and issuance cost of $305 and $316 (D)	June 2048	5.00 %	$	34,248	34,778
2018B Note, includes unamortized issuance cost of $94 and $98 (E)	June 2043	Variable		15,017	15,012
2019 Note, includes unamortized issuance cost of $312 and $326 (F)	January 2043	3.38 %		37,398	37,384
			$	195,374	201,062

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

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

(C) Semi-annual interest payments began July 1, 2015 with annual principal payments commencing January 1, 2017 and continuing until maturity in January 2040.

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

(E) 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, 2021 ranged from 0.66% to 0.73%.

(F) In December 2019, the Lexington Authority issued revenue bonds in the amount of $37,710,000 known as Series 2019 Bonds, (1) refunding all of the Series 2013 Bonds, and (2) financing costs of issuance, funded interest, if any, and reserves, if any, with respect to the Bonds. Principal and interest payments are paid semi-annually in January and July, commencing July 2020 and continuing until maturity in January 2043.

Aggregate principal payments due for the next five fiscal years are: 2022 – $5,420,000; 2023 – $5,685,000; 2024 – $5,965,000; 2025 – $6,285,000; 2026 – $6,600,000; and thereafter – $156,330,000.

Revolving Credit Agreement

The University has a Revolving Credit agreement with Branch Banking and Trust Company that permits the University to borrow through April 20, 2022 up to $15,000,000, bearing interest at an adjusted LIBOR rate by adding 30-day LIBOR plus one and one-quarter of one percent (1.25%) per annum, which shall be adjusted monthly on the first day of each month. The University paid an origination fee of $1,500 for access to this liquidity. At June 30, 2021, the University had $15,000,000 available under this facility.

(13) Net Assets

Net assets at June 30, 2021 were as follows (in thousands):

		Without donor restrictions	With donor restrictions	Total
Operations	$	4,234	25,321	29,555
Student loan funds		—	5,926	5,926
Net investment in plant		134,583	—	134,583
Physical plant acquisitions		—	1,771	1,771
Quasi endowment funds		333,233	—	333,233
Donor restricted endowment		—	1,170,820	1,170,820
Contributions receivable		1,145	33,855	35,000
Split-interest agreements		853	24,240	25,093
Trust held by others		—	588,367	588,367
Post-retirement		(23,417)	—	(23,417)
Total	$	450,631	1,850,300	2,300,931

Net Assets at June 30, 2020 were as follows (in thousands):

		Without donor restrictions	With donor restrictions	Total
Operations	$	(2,930)	23,754	20,824
Student loan funds		—	5,797	5,797
Net investment in plant		134,401	—	134,401
Physical plant acquisitions		—	91	91
Quasi endowment funds		260,827	—	260,827
Donor restricted endowment		—	889,923	889,923
Contributions receivable		411	38,969	39,380
Split-interest agreements		571	18,622	19,193
Trust held by others		—	479,413	479,413
Post-retirement		(23,212)	—	(23,212)
Total	$	370,068	1,456,569	1,826,637

(Continued)

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, 2021 were as follows (in thousands):

Operations:		
Financial aid	$	2,553
Program support		6,087
Other		1,182
Net investment in plant		3,659
		13,481
Nonoperations:		
Net assets released for fixed asset acquisitions		720
Total	$	14,201

(14) Expenses

Expenses for the year ended June 30, 2021 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	$	55,056	8,697	—	9,277	3,281	76,311	—	76,311
Academic support		13,785	10,347	—	2,097	254	26,483	—	26,483
Student services		9,559	3,853	—	888	480	14,780	—	14,780
Institutional support		15,215	9,192	—	825	171	25,403	1,012	26,415
Auxiliary enterprises		8,858	5,295	4,182	6,563	3,459	28,357	—	28,357
Total	$	102,473	37,384	4,182	19,650	7,645	171,334	1,012	172,346

Expenses for the year ended June 30, 2020 were incurred for the following (in thousands):

	Salaries, wages and benefits	Supplies and services	Cost of sales	Deprecation and amortization	Interest	Total operating expenses	Net periodic postretirement benefit cost excluding service cost	Total expenses by function
Instruction and research	$ 58,875	8,704	—	8,980	3,582	80,141	—	80,141
Academic support	14,369	11,176	—	2,003	347	27,895	—	27,895
Student services	9,771	3,968	19	730	506	14,994	—	14,994
Institutional support	16,035	6,927	1	789	141	23,893	1,151	25,044
Auxiliary enterprises	9,345	4,088	4,572	6,269	3,224	27,498	—	27,498
Total	$ 108,395	34,863	4,592	18,771	7,800	174,421	1,151	175,572

(15) Retirement Plans

Academic and nonacademic personnel of the University are included in the 403(b) contributory retirement plans of the Teachers Insurance and Annuity Association (TIAA) and Fidelity Management Trust Company (Fidelity). Prior to July 1, 2020, the University matched optional employee contributions up to 5% of their annual salary. For the year beginning July 1, 2020, the University matched optional employee contributions to up to 2.5% of their annual salary. In addition, the University makes a mandatory contribution of 5% of the employee's annual salary. Contributions are paid currently to TIAA or Fidelity. The University's cost under this plan amounted to $5,088,000 and $6,594,000 for the years ended June 30, 2021 and 2020, respectively.

The University also maintains a discretionary defined contribution retirement plan through TIAA. The Washington and Lee Retiree Health Plan (the Plan) exists for the purpose of providing postretirement medical benefits to eligible academic and nonacademic personnel of the University. Employer contributions for the years ended June 30, 2021 and 2020 totaled $162,000 and $150,000, respectively.

(16) Postretirement Benefits

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

The components of net periodic postretirement benefit cost for the years ended June 30, 2021 and 2020 were as follows (in thousands):

	2021	2020
Service cost (benefits attributed to employee service during the year)	$ 714	615
Interest cost on accumulated postretirement benefit obligation	582	721
Amortization of prior service cost	430	430
Net periodic postretirement benefit cost	$ 1,726	1,766

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

The discount rates used in determining the accumulated postretirement benefit obligation (APBO) as of June 30, 2021 and 2020 was 2.75% and 2.50%, respectively. The assumed health care cost trend used in measuring the accumulated postretirement benefit obligation was 6.5% in 2021, 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, 2021 and 2020 (in thousands):

		2021	2020
Change in benefit obligation:			
Accumulated benefit obligation, beginning of year	$	23,212	22,080
Service cost		714	615
Interest cost		582	721
Actuarial loss		280	935
Net benefits paid		(1,371)	(1,139)
Accumulated benefit obligation, end of year	$	23,417	23,212
Amount not yet recognized in net periodic benefit cost and included in net assets without donor restrictions:			
Net actuarial loss	$	1,606	1,326
Prior service cost		833	1,262
	$	2,439	2,588

Projected postretirement health benefits expected to be paid in each of the next five fiscal years are: 2022 – $1,602,000; 2023 – $1,697,000; 2024 – $1,816,000; 2025 – $1,848,000; and 2026 – $1,893,000. An additional $10,276,000 is expected to be paid for the fiscal years 2027 through 2031.

Total employer and participant contributions are $1,371,000 and $128,000, respectively, for the year ended June 30, 2021. Total benefits paid for the year ended June 30, 2021 are $1,499,000. Total employer and participant contributions are $1,139,000 and $107,000, respectively, for the year ended June 30, 2020. Total benefits paid for the year ended June 30, 2020 are $1,246,000. The expense discount rate for the years ended June 30, 2021 and 2020 were 2.75% and 2.50%, respectively.

(17) Commitments

The University’s contractual commitments for capital expenditures totaled approximately $4,108,000 at June 30, 2021.

(18) Concentration Risk

Financial instruments that potentially subject the University to concentration of risk consist primarily of an equity investment in a large U.S. company. This investment comprised 67% and 72% of total funds held in trust by others for the periods ended June 30, 2021 and 2020, respectively.

(19) Contingencies

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

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

(20) COVID-19 Pandemic

In March 2020, the World Health Organization declared the spread of Coronavirus Disease (COVID-19 or Pandemic) a worldwide pandemic. As a result of the Pandemic, the University temporarily closed the campus effective March 13, 2020. The University issued room and board refunds to students as a result of this closure totaling $4,977,000, which reduced auxiliary enterprises revenue for the fiscal year ended June 30, 2020. The University’s campus reopened in August 2020 and students remained on campus for the 2020-2021 academic year. As such, the University did not issue additional room and board refunds during the year ended June 30, 2021. Although campus was open, the ongoing effects of the COVID-19 pandemic impacted various parts of the University’s fiscal year 2021 operations and financial results, including the loss of auxiliary revenues, costs for increased use of technology and, more significantly, costs directly associated with health and safety measures. Management believes the University has taken appropriate actions to mitigate the negative impact.

In June 2020, the University was awarded $523,000 from the Higher Education Emergency Relief Fund (HEERF I). The funds were used for emergency financial aid grants to students under section 18004(a)(1) of the Coronavirus Aid, Relief, and Economic Security Act (CARES Act). During the year ended June 30, 2020, the University disbursed $438,000 of the total received to students to assist in their transition to remote learning and disbursed the remaining $85,000 in fiscal year 2021.

In March and May 2021, the University was awarded supplemental funds from the Higher Education Emergency Relief Fund (HEERF II & HEERF III) totaling $3,260,000, of which $1,798,000 is allocated for emergency financial aid grants to students under section 18004(a)(1) of the CARES Act and $1,462,000 is allocated for institutional use to cover costs associated with the COVID-19 pandemic. During the year ended June 30, 2021, the University disbursed $523,000 in emergency financial aid grants to students and allocated $186,000 to cover COVID-19 testing costs incurred by the University. The remaining funds are expected to be disbursed in fiscal year 2022.

Also, as a part of the CARES Act, the University was eligible for the employee retention credit. The employee retention credit is a refundable payroll credit of 50% of qualified wages and healthcare paid for employees not required to work. Qualified wages are limited to $10,000 per effected employee. The University received $1,061,000 in a refundable payroll credit for the year ended June 30, 2020. The University did not receive any additional funds under the employee retention credit for the year ended June 30, 2021.

The University is committed to the health and safety of its students, faculty, staff and local community. As a result, it has allocated significant resources to COVID-19 testing, personal protective equipment and education to reduce the transmission of the virus and provide a safe environment in which the University's students can live and learn in a residential setting.

(21) Subsequent Events

The University has evaluated subsequent events for potential recognition and/or disclosure in the June 30, 2021 financial statements through October 27, 2021, the date the financial statements were available to be issued.