

Loyola Marymount University
Financial Statements
May 31, 2024 and 2023

Loyola Marymount University
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Report of Independent Auditors

To the Board of Trustees of Loyola Marymount University

Opinion

We have audited the accompanying financial statements of Loyola Marymount University (the “University”), which comprise the statements of financial position as of May 31, 2024 and 2023, and the related statements of activities for the year ended May 31, 2024 and of cash flows for the years ended May 31, 2024 and 2023, including the related notes (collectively referred to as the “financial statements”).

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the University as of May 31, 2024 and 2023, and the changes in its net assets for the year ended May 31, 2024 and its cash flows for the years ended May 31, 2024 and 2023 in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Other Matter

We previously audited the statement of financial position as of May 31, 2023, and the related statements of activities and of cash flows for the year then ended (the statement of activities is not presented herein), and in our report dated October 3, 2023, we expressed an unmodified opinion on those financial statements. In our opinion, the information set forth in the accompanying summarized financial information for the year ended May 31, 2023 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Responsibilities of Management for the Financial Statements

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

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



Auditors' Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with US GAAS, we:

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

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

PricewaterhouseCoopers LLP

Los Angeles, California
October 7, 2024

Loyola Marymount University
Statements of Financial Position
May 31, 2024 and 2023

(in thousands)

	2024	2023
Assets		
Cash and cash equivalents	\$ 169,930	\$ 161,856
Accounts receivable		
Tuition & fees, less allowance for doubtful accounts of \$2,608 in 2024 and \$2,607 in 2023	2,777	2,402
Other	11,660	12,686
Pledges receivable, net	27,275	28,289
Notes receivable, less allowance for doubtful accounts of \$1,636 in 2024 and \$1,633 in 2023	21,335	22,596
Investments	804,699	718,336
Prepaid expenses, deferred charges and other assets	16,823	15,287
Assets whose use is limited by bond indentures	3,466	4,913
Right of use assets	13,436	15,516
Property, plant and equipment, net	735,994	736,845
Total assets	<u>\$ 1,807,395</u>	<u>\$ 1,718,726</u>
Liabilities and net assets		
Liabilities		
Accrued payroll expense	\$ 16,191	\$ 17,372
Accounts payable and accrued expenses	42,869	42,456
Accrued interest expense	59,167	59,333
Deferred revenue and deposits	32,709	31,762
Lease liability	15,270	17,059
Debt outstanding, net	177,703	186,442
Loan funds returnable to donor	-	1,170
U.S. government grants refundable	3,193	4,061
Annuity liabilities and assets held for others	1,795	2,258
Total liabilities	<u>348,897</u>	<u>361,913</u>
Commitments and contingencies (Note 16)		
Net assets		
Without donor restrictions	888,664	829,128
With donor restrictions		
For time or purpose	278,495	250,336
In perpetuity	291,339	277,349
Total with donor restrictions	<u>569,834</u>	<u>527,685</u>
Total net assets	<u>1,458,498</u>	<u>1,356,813</u>
Total liabilities and net assets	<u>\$ 1,807,395</u>	<u>\$ 1,718,726</u>

The accompanying notes are an integral part of these financial statements.

Loyola Marymount University
Statement of Activities
Year Ended May 31, 2024
(With Summarized Financial Information for the Year Ended May 31, 2023)

(in thousands)

	Without donor restrictions	With donor restrictions	2024 Total	2023 Total
Revenues, gains and other additions				
Tuition and fees (net of scholarships)	\$ 388,688	\$ -	\$ 388,688	\$ 366,071
Investment returns designated for operations	23,983	16,312	40,295	28,884
Contributions and pledges	13,925	932	14,857	18,545
Grants	17,405	-	17,405	15,403
Auxiliary enterprise revenue, net	62,685	-	62,685	59,914
Other revenue	11,375	-	11,375	9,626
Net assets released from restrictions	14,777	(14,777)	-	-
Total operating revenues, gains, and other changes	532,838	2,467	535,305	498,443
Expenses				
Instruction	179,817	-	179,817	164,163
Research	11,735	-	11,735	11,623
Academic support	53,684	-	53,684	50,607
Library	16,709	-	16,709	15,954
Student services	90,561	-	90,561	80,886
Institutional support	96,648	-	96,648	84,715
Auxiliary enterprises	46,237	-	46,237	42,369
Total operating expenses	495,391	-	495,391	450,317
Increase in operating net assets	37,447	2,467	39,914	48,126
Non-operating revenues and expenses				
Contributions for non-operating purposes	39	12,104	12,143	26,204
Contributions for acquisition of capital assets	83	2,667	2,750	7,609
Investment returns after amounts designated for current operations	21,762	25,975	47,737	(25,081)
Other non-operating income	(859)	-	(859)	5,625
Net assets released from restrictions	2,358	(2,358)	-	-
Donor redesignations	(1,294)	1,294	-	-
Non-operating revenues (expenses), net	22,089	39,682	61,771	14,357
Increase in net assets	59,536	42,149	101,685	62,483
Net assets				
Beginning of year	829,128	527,685	1,356,813	1,294,330
End of year	\$ 888,664	\$ 569,834	\$ 1,458,498	\$ 1,356,813

The accompanying notes are an integral part of these financial statements.

Loyola Marymount University
Statements of Cash Flows
Year Ended May 31, 2024 and 2023

(in thousands)

	2024	2023
Cash flows from operating activities		
Increase in net assets	\$ 101,685	\$ 62,483
Adjustments to reconcile increase in net assets to net cash provided by operating activities		
Depreciation and amortization	31,415	29,941
Write off of property, plant and equipment	2,520	-
Realized and unrealized (gain)/loss on investments	(69,737)	6,243
Loan receivable forgiveness	70	1,888
Provisions for doubtful notes receivable	3	238
Non-cash contributions received	(1,671)	(1,173)
Contributions to be used for fixed assets	(2,627)	(7,480)
Contributions to be used for long-term investment	(11,570)	(26,062)
Proceeds from sale of donated securities	1,052	769
Actuarial change in trust liability	435	107
Changes in assets and liabilities:		
Tuition and fees receivable from students, net	(375)	1,114
Accounts receivable, other	1,148	4,215
Pledges receivable, net	43	(568)
Prepaid expenses, deferred charges and other assets	(2,030)	1,370
Accounts payable and accrued expenses	(7)	(10,758)
Deferred revenue and deposits	947	2,994
Annuity liabilities and assets held for others	(71)	237
Net cash provided by operating activities	51,230	65,558
Cash flows from investing activities		
Purchases of property, plant and equipment	(34,756)	(47,630)
Proceeds from sales of properties	113	-
Purchases of investments	(117,173)	(107,464)
Proceeds from sales and maturities of investments	100,422	93,940
Reimbursement from CEFA 2018 bonds	1,449	1,958
Disbursements of loans to students and faculty	(3,141)	(2,908)
Repayments of loans by students and faculty	3,177	3,768
Net cash used in investing activities	(49,909)	(58,336)
Cash flows from financing activities		
Repayment of CEFA bonds payable	(7,322)	(7,880)
Repayment of U.S. government grants refundable	(868)	(1,018)
Contributions to be used for fixed assets	4,422	3,870
Contributions to be used for long-term investment	11,348	23,049
Payments made under split interest agreements	(143)	(154)
Termination of split-interest agreements	(684)	-
Net cash provided by financing activities	6,753	17,867
Net increase in cash and cash equivalents	8,074	25,089
Cash and cash equivalents		
Beginning of year	161,856	136,767
End of year	\$ 169,930	\$ 161,856
Supplementary cash flow information		
Non-cash acquisition of plant	\$ 1,815	\$ 2,741
Securities received as gifts	1,671	1,173
Interest paid	7,334	7,574

The accompanying notes are an integral part of these financial statements.

Loyola Marymount University

Notes to Financial Statements

May 31, 2024 and 2023

1. Basis of Presentation and Summary of Significant Accounting Policies

Organization

Loyola Marymount University (the “University” or “LMU”) is a coeducational institution offering undergraduate, graduate and professional degrees. The University is a non-profit organization as described in Section 501(c)(3) of the Internal Revenue Code (the “Code”) and is exempt from federal income taxes on related income pursuant to the Code and under corresponding sections of the California Revenue and Taxation Code.

Basis of Presentation

The financial statements of the University have been prepared on the accrual basis of accounting to conform to accounting principles generally accepted in the United States of America (“GAAP”).

Net Assets

Under generally accepted accounting principles applicable to not-for-profit organizations, net assets, revenues, expenses, gains and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the University and changes therein have been classified and are reported as follows:

- Net Assets without donor restrictions – Net assets not subject to donor-imposed stipulations; donor-restricted contributions whose restrictions are met in the same reporting period as the contribution is received; and quasi endowment net assets designated by the Board of Trustees or management for specific purposes (known as quasi endowment net assets).
- Net assets with donor restrictions for time or purpose – Net assets subject to donor-imposed stipulations that will be met either by actions of the University pursuant to those stipulations and/or by the passage of time.
- Net assets with donor restrictions in perpetuity – Net assets subject to donor-imposed stipulations that require the University maintain them in perpetuity. Generally, the donors of these assets permit the University to use all, or part of the income earned on related investments for general or specific purposes.

Summarized Comparative Information

The financial statements and notes include certain prior-year summarized comparative information in total, but not by net asset category. Such information does not include sufficient detail to constitute a presentation in conformity with GAAP. Accordingly, such information should be read in conjunction with the University’s financial statements for the year ended May 31, 2023 from which the summarized information was derived.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions regarding the reported amounts of assets, liabilities, disclosure of contingent assets and contingent liabilities at the date of the financial statements and those estimates which affect the amounts of revenues and expenses reported during the period. Actual results could differ from those estimates.

Donor Redesignations

Certain amounts previously received from donors have been transferred among net assets categories due to changes in restrictions or gifts by the donor.

Cash and Cash Equivalents

Cash and cash equivalents include cash on hand and investments purchased with an initial maturity of three months or less, excluding those held for long-term investment and assets whose use is limited by bond indentures. The carrying amount of cash and cash equivalents approximates fair value due to the short-term maturity of these financial instruments. In accordance with federal regulations, cash received for Federal Family Education Loans is held in a separate bank account until credited to students’ accounts.

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Accounts Receivable

Tuition and fees receivable represent amounts due for current or past semesters for which students have registered; amounts collected in advance are deferred and recognized when earned. Management periodically reviews and assesses the collectability of receivables and provides an allowance for credit losses. The University's credit losses have been consistent with management's expectations.

Other accounts receivable includes receivables from grants, insurance policies and charitable remainder trusts where the University is named a beneficiary but is not the trustee. As of May 31, 2024 and 2023, the balances of these beneficial interests were \$1,768,000 and \$1,645,000, respectively. Present value of the estimated future cash flows from the trusts approximates the fair value of the underlying assets. Insurance policies are recorded at cash surrender value.

Pledges Receivable

Unconditional promises to give ("pledges") are recorded as contribution revenue and as receivables in the period received. Pledge contributions are classified as with donor restrictions for time or purpose or with donor restrictions in perpetuity based upon donor-imposed stipulations. Pledges are discounted to present value using a discount rate commensurate with the risk involved. An allowance for uncollectible pledges is estimated by management based on such factors as prior collection history, type of contribution, and the nature of the fundraising activity (see Note 2).

Notes Receivable

Student loans are generally funded by government and foundation grants for student financial aid, which the University administers, and are uncollateralized. Student notes receivable have mandated interest rates and repayment terms and are subject to significant restrictions as to their transfer or disposition. Due to the nature and terms of the student loans, it is not feasible to determine the fair value of such loans. Management reviews and assesses the collectability of notes receivable on an annual basis and provides an allowance for credit losses when collection is doubtful (see Note 3).

Investments

Investments are stated at fair value (see Note 10). Unrealized and realized gains and losses on investments are reported as increases or decreases to net assets without donor restrictions, unless restricted by the donor by time or purpose or in perpetuity (see Note 11). Investment income includes rental income, interest income, royalties, dividends and other investment income (see Note 4). Unrealized and realized gains and losses on investments and investment income are reported net of investment management fees. Real estate investments and securities received by gift or bequest are recorded at fair value on the date acquired. The majority of the University's investments are included in the Endowment Fund, which is a commingled fund composed of various types of investment assets, and largely pooled on a market value per unit basis. The total fair value of the Endowment Fund assets at May 31, 2024 and 2023 was \$720,022,000 and \$651,894,000, respectively.

The University has adopted endowment, investment and spending policies to preserve and enhance the real purchasing power of the endowment, to provide a relatively stable and constant return sufficient to meet a portion of the spending needs of the University, and to increase the endowment through unspent income and gains, appreciated value, gifts and other appropriate sources. Thus, the University's overall return objective is to garner an average annual real total return of at least 5.0% per year, net of fees and inflation, over the long-term (rolling ten-year period). The return objective may be difficult to achieve in any single year during the ten-year period but is expected to be attainable over a series of ten-year periods.

The University utilizes the "Yale 70/30" spending calculation methodology to determine the annual amount of investment returns distributed to University operations ("spending policy"). Under this methodology, 70% of the calculation is based on a 3% growth rate applied to the prior year's distribution, and 30% is based on a 5% rate applied to a rolling 12 quarter average pool fair market value. This methodology is intended to produce increasing yet smooth and predictable endowment distributions year over year. From time to time, the fair value of assets associated with donor-restricted endowment funds may fall below the level that the University has determined is

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required to be maintained in perpetual duration. Deficiencies of this nature are referred to as underwater endowments. In the event that an endowment falls underwater, current management policy is to allow spending on the endowment in accordance with the University spending policy. The aggregate underwater amount, if any, is classified as a reduction of net assets with donor restrictions.

For the year ended May 31, 2024, the gross endowment pool distribution under the spending policy was \$29,317,000. Included in investment returns designated for operations is a portion of the endowment distribution designated for operations of \$29,113,000 and other non-endowment investment returns of \$11,182,000. The remaining endowment distribution of \$204,000 is recorded in investment returns after amounts designated for current operations in the Statement of Activities. Returns remaining after the annual distribution are reinvested in the endowment pool as Board-designated or with donor restrictions for time or purpose endowment funds.

For the year ended May 31, 2023, the gross endowment pool distribution under the spending policy was \$27,375,000. Included in investment returns designated for operations is a portion of the endowment distribution designated for operations of \$27,127,000 and other non-endowment investment returns of \$1,757,000. The remaining endowment distribution of \$248,000 is recorded in investment returns after amounts designated for current operations in the Statement of Activities. Returns remaining after the annual distribution are reinvested in the endowment pool as Board-designated or with donor restrictions for time or purpose endowment funds.

The University classifies as net assets with donor restrictions in perpetuity: (a) the original value of gifts donated to the permanent endowment; (b) the original value of subsequent gifts to the permanent endowment; and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is not classified in net assets with donor restrictions in perpetuity is classified as net assets with donor restrictions for time or purpose until those amounts are appropriated for expenditure by the University in a manner consistent with the standard of prudence prescribed by Uniform Prudent Management of Institutional Funds Act ("UPMIFA"). The University considers the following factors in making a determination to appropriate or accumulate endowment funds: (1) the duration and preservation of the fund; (2) the mission of the University and the donor-restricted endowment fund; (3) general economic conditions; (4) the possible effect of inflation and deflation; (5) the expected total return from income and the appreciation of investments; (6) other resources of the University; and (7) the investment policies of the University.

Assets Whose Use is Limited by Bond Indentures

As of May 31, 2024 and 2023, the University had unspent bond proceeds related to the Series 2018A Bonds. These proceeds are designated for construction and improvement of facilities. They are held at U.S. Bank, the Bond Trustee, and consist of cash equivalents and are considered Level 1 under the fair value hierarchy.

Property, Plant and Equipment

Plant assets, which are purchased or constructed, are stated at cost; assets acquired by gift or bequest are stated at fair value at the date of acquisition. The University uses the straight-line method for the computation of depreciation of long-lived assets according to the following schedule of useful lives:

Asset	Life
Buildings	40 years
Equipment	5-10 years
Library books	20 years
Computer software	5-12 years
Leasehold and building improvements	20 years

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The University uses a full month convention for all assets except new construction of buildings for which depreciation begins from the date they are placed in service. Depreciation expense for fiscal years 2024 and 2023 was \$32,294,000 and \$31,389,000, respectively.

Normal repair and maintenance expenses and minor equipment replacement costs are expensed as incurred. When items are retired or otherwise disposed of, the cost and accumulated depreciation and amortization are removed from the accounts, and any gain or loss on such retirements or disposal is recognized in the year of disposal.

Works of art, historical treasures, literary works and artifacts, which are preserved and protected for educational, research and public exhibition purposes, are not capitalized. Donations of such collections are not recorded for financial statement purposes; however, purchases of such collections are recorded as operating expenses in the period in which they are acquired.

The University records conditional asset retirement obligations associated with the legally required removal and disposal of certain hazardous materials, primarily asbestos, present in its facilities. When an asset retirement obligation is identified, the University records the fair value of the obligation as a liability. The fair value of the obligation is also capitalized as property, plant and equipment and then amortized over the estimated useful life of the associated asset. The fair value of the conditional asset retirement obligation is estimated using a probability weighted, discounted cash flow model. The present value of future estimated cash flows is calculated using a credit-adjusted, interest rate applicable to the University in order to determine the fair value of the conditional asset retirement obligations. As of May 31, 2024 and 2023, \$590,000 and \$608,000, respectively, of conditional asset retirement obligations are included within accounts payable and accrued expenses in the Statements of Financial Position (see Note 6).

Credit Concentration

Financial instruments that potentially subject the University to concentration of credit risk are cash, cash equivalents, investments, and receivables. The University's cash, cash equivalents, and investments are held by recognized financial institutions and reputable fund managers. Management regularly reviews its investment policies, asset allocations and individual manager portfolios with the University's external investment consultant, as well as the University's Endowment Fund Investment Committee. Concentration of credit risk for accounts receivable, pledges receivable, and notes receivable is generally limited due to the dispersion of these balances over a broad base.

Revenue Recognition

The University's revenue recognition policies are as follows:

- Tuition and fees (net of scholarships) and room and board – The University's operating revenue is primarily derived from academic programs provided to students including undergraduate and graduate programs and residential services. Tuition and fees and room and board revenues are recognized in an amount that reflects the consideration the University is entitled to in exchange for providing educational, housing and dining services. The University's transaction price is determined based on the gross price, net of any scholarships and refunds. The University awarded scholarships in the amounts of \$163,493,000 and \$154,315,000 for the periods ended May 31, 2024 and May 31, 2023, respectively.

Tuition and fees are recognized as revenue over time during the course of the academic term or program for which it is earned. Room and board revenues, included in auxiliary revenues, are recognized over time throughout the occupancy period based on the proportional time elapsed. The University has elected the optional exemption to not disclose amounts for educational services that will be fulfilled within a month of the fiscal year end.

Student tuition and fees received in advance of services to be rendered are recorded as deferred revenue. The University's payment terms generally require payment in advance of the academic term. Substantially all of the deferred revenue balance at the beginning of each year was recognized into revenue during the years ended

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May 31, 2024 and 2023. Students who withdraw may receive a full or partial refund in accordance with the University's refund policy.

- Contributions and pledges – For financial reporting purposes, the University distinguishes between contributions of net assets without donor restrictions, net assets with donor restrictions for time or purpose and net assets with donor restrictions in perpetuity. Contributions for which donors have imposed restrictions that limit the use of the donated assets are reported as net assets with donor restrictions. When such donor-imposed restrictions are met in subsequent reporting periods, net assets with donor restrictions for time or purpose are reclassified to net assets without donor restrictions and reported as net assets released from restrictions. Contributed assets that are subject to perpetual donor restrictions and from which only the current income may be used are classified as net assets with donor restrictions in perpetuity. Contributed assets for which donors have not stipulated restrictions, as well as contributions on which donors have placed restrictions which are made and met within the same reporting period, are reported as support without donor restrictions.

Pledges are recorded as receivables and revenues in the year received. Pledges on which payments are receivable in future periods are reported as net assets with donor restrictions for time or purpose or net assets with donor restrictions in perpetuity based on donor intent. Gifts of land, buildings and equipment are reported as net assets without donor restrictions 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 net assets with donor restrictions for time or purpose. Absent explicit donor stipulation, the University reports expirations of donor restrictions on long-lived assets when the donated or acquired long-lived asset is placed in service. Donated securities are liquidated upon receipt.

- Grants – Revenues from grant agreements are considered non-exchange transactions and are reported as increases in net assets without donor restrictions as the associated barriers are overcome, which generally is as allowable expenditures under such agreements are incurred. The University has elected a policy to report contributions where the condition and restriction are met in the same reporting period within net assets without donor restrictions.
- Auxiliary enterprise revenue – Auxiliary enterprise revenue consists primarily of fees for room and board as previously discussed under *Tuition and fees (net of scholarships) and room and board*. Revenues from supporting services, such as conferences, dining facilities, parking operations, childcare center and bookstores are recorded at a point in time when the customer obtains control of the promised product or service. Amounts received in advance of delivery of products or services are recorded as deferred revenue.
- Other revenue – Other revenue includes income primarily generated from athletic activities, lab fees and consulting. Amounts received are recorded at the time of transaction. Amounts not received by year end but earned are accrued and are included in accounts receivable – other.

In response to the COVID-19 pandemic, the United States Congress passed legislative acts creating Higher Education Emergency Relief Funds (HEERF) I, II & III which have provided institutions of higher education with funding. As of May 31, 2024 the University has been awarded a total of \$24,855,000. The University has recognized funding from the awards in the financial statements for the years ended May 31, 2024 and 2023, totaling \$0 and \$1,532,000, respectively, in grants revenue as a result of the federal funding received. The University directed the funds to cover students' expenses related to the disruption of campus operations due to the coronavirus, including eligible expenses such as food, housing, course materials, technology, health care, childcare, reimbursement for

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room and board and COVID-19 testing kits for faculty, staff and students. There are no unrecognized funds as of May 31, 2024.

Expenses

Expenses are reported as decreases in net assets without donor restrictions with the exception of investment expenses which are required to be netted against investment return. In the Statement of Activities, expenses are presented by functional classification in accordance with the Integrated Postsecondary Education Data System ("IPEDS"). Each functional classification includes direct expenses, as well as allocated costs such as depreciation, interest expense and plant operating costs. Depreciation expense is allocated based upon square-footage occupancy of University facilities. Interest expense on external debt is allocated to the functional categories which have benefited from the proceeds of the external debt. Plant operations and maintenance represent building occupancy costs, which are allocated to functional categories based upon square-footage occupancy or by specific identification. Square-footage occupancy is adjusted for changes due to new construction or space redistribution.

Included in institutional support expense in the Statement of Activities for the years ended May 31, 2024 and 2023, is approximately \$14,003,000 and \$13,583,000 respectively of direct expenses related to fundraising.

Non-Operating Revenues and Expenses

Non-operating revenues and expenses consist of amounts which, due to their nature, are not considered by management as part of operations. Specific items include investment results (exclusive of amounts distributed per the spending policy and investment returned earned on non-endowed investments which is included in investment returns designated for operations), contributions for non-operating purposes, contributions for acquisition of capital assets, post-retirement actuarial adjustment and non-operating cost components, residential properties income and expense and other non-operating items.

New Accounting Pronouncements

In June 2016, the FASB issued ASU No. 2016-13, *Measurement of Credit Losses on Financial Instruments (Topic 326)*, which replaces the current GAAP incurred loss impairment methodology with one that reflects expected credit losses and requires consideration of a broader range of reasonable and supportable information to inform credit loss estimates. The guidance is effective for annual reporting periods beginning after December 15, 2022. This guidance has been adopted and there is no material impact on the financial statements.

2. Pledges Receivable

Pledges are received as part of the University's fundraising activities for operational, plant and endowment purposes. Pledges are recorded at fair value estimated by discounting future cash flows at rates ranging from 3.0% to 5.0% per annum. At May 31, outstanding pledges are reflected in the financial statements and are summarized below.

Pledges expected to be collected are as follows at May 31 (*in thousands*):

	2024	2023
In one year or less	\$ 9,815	\$ 15,917
Between one and five years	18,799	11,775
Over five years	4,200	4,200
Total pledges receivable	32,814	31,892
Allowance for uncollectible pledges	(2,004)	(1,008)
Discount to present value	(3,535)	(2,595)
Total pledges receivable, net	\$ 27,275	\$ 28,289

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Pledges receivable at May 31, 2024 have the following designations (*in thousands*):

	Pledges Receivable Balance	Allowance	Discount	Pledges Receivable Balance, Net
Endowment for academic programs and activities	\$ 5,241	\$ -	\$ (323)	\$ 4,918
Endowment for scholarships	9,895	(1,065)	(998)	7,832
Property, plant and equipment	10,664	(300)	(1,640)	8,724
Departmental programs and activities	7,014	(639)	(574)	5,801
Total pledges receivable	<u>\$ 32,814</u>	<u>\$ (2,004)</u>	<u>\$ (3,535)</u>	<u>\$ 27,275</u>

Pledges receivable at May 31, 2023 have the following designations (*in thousands*):

	Pledges Receivable Balance	Allowance	Discount	Pledges Receivable Balance, Net
Endowment for academic programs and activities	\$ 6,459	\$ -	\$ (323)	\$ 6,136
Endowment for scholarships	6,642	(317)	(413)	5,912
Property, plant and equipment	12,305	(361)	(1,547)	10,397
Departmental programs and activities	6,486	(330)	(312)	5,844
Total pledges receivable	<u>\$ 31,892</u>	<u>\$ (1,008)</u>	<u>\$ (2,595)</u>	<u>\$ 28,289</u>

The University received a conditional pledge of \$25,000,000 in fiscal year 2024. As of May 31, 2024, the matching conditions for this pledge have not yet been fulfilled.

3. Notes Receivable

Student Loans

The University makes uncollateralized loans to students based on financial need. Student loans are funded through the Federal Perkins Loan Program, Weingart Foundation Loan Program, and institutional resources. At May 31, 2024 and 2023, net student loans represented approximately 0.8% and 0.9% of total assets, respectively.

At May 31, 2024, student loans and the related allowance for credit losses consist of the following (*in thousands*):

	Student Receivable Balance	Related Allowance	Student Receivable Balance, net
Perkins	\$ 2,137	\$ (160)	\$ 1,977
Weingart	11,410	(1,186)	10,224
Institutional	2,594	(290)	2,304
Total	<u>\$ 16,141</u>	<u>\$ (1,636)</u>	<u>\$ 14,505</u>

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At May 31, 2023, student loans and the related allowance for credit losses consist of the following
(in thousands):

	Student Receivable Balance	Related Allowance	Student Receivable Balance, net
Perkins	\$ 2,939	\$ (170)	\$ 2,769
Weingart	11,607	(1,178)	10,429
Institutional	2,715	(285)	2,430
Total	<u>\$ 17,261</u>	<u>\$ (1,633)</u>	<u>\$ 15,628</u>

Management regularly assesses the adequacy of the allowance for credit losses by performing ongoing evaluations of the student loan portfolio, including such factors as the differing economic risks associated with each loan category, the financial condition of specific borrowers, the economic environment in which the borrowers operate, and the level of delinquent loans, adjusted for management expectations about current and future economic conditions.

The University's Perkins receivable represents the amounts due from current and former students under the Federal Perkins Loan Program. Loans disbursed under the Federal Perkins Loan Program are able to be assigned to the Federal Government in certain non-repayment situations. In these situations, the Federal portion of the loan balance is guaranteed. On October 1, 2017, the Federal Perkins Extension Act of 2015 expired and no longer permits disbursements to students of any kind after June 30, 2018. These funds are ultimately refundable to the government and are included as liabilities in the Statements of Financial Position. The University has been notified that the government will begin collecting the federal share of the University's Perkins Loan Revolving Fund sometime thereafter.

The University's Weingart receivable represents the amount due from current and former students under the Weingart Foundation Loan Program. Under the Weingart Foundation Loan Program, students are awarded non-interest-bearing loans. Any loans not collected under the Weingart Foundation Loan Program become the University's responsibility for repayment. The University must make whole all loans uncollected under this program. Various other institutional loans are sponsored by donor gifts and are subject to donor restrictions on use of funds. The University manages institutional loans through guidelines included in respective donor gift agreements.

Changes in the allowance for credit losses for the years ended May 31 were as follows *(in thousands)*:

	2024 Student Loan Allowance	2023 Student Loan Allowance
Beginning Balance - June 1	\$ (1,633)	\$ (1,395)
Change in estimated reserve requirement	(26)	(247)
Net charge-offs	189	106
Recoveries	<u>(166)</u>	<u>(97)</u>
Ending Balance - May 31	<u>\$ (1,636)</u>	<u>\$ (1,633)</u>

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At May 31, 2024, the following amounts were due under the student loan program (*in thousands*):

		Current	1-60 Days Past Due	60-90 Days Past Due	90-120 Days Past Due	120 + Days Past Due	Total Student Loans Receivable
Perkins	\$	1,716	\$ 92	\$ 53	\$ 10	\$ 266	\$ 2,137
Weingart		10,814	352	59	40	145	11,410
Institutional		2,083	52	44	-	415	2,594
							<u>\$ 16,141</u>

At May 31, 2023, the following amounts were due under the student loan program (*in thousands*):

		Current	1-60 Days Past Due	60-90 Days Past Due	90-120 Days Past Due	120 + Days Past Due	Total Student Loans Receivable
Perkins	\$	2,494	\$ 90	\$ 95	\$ 3	\$ 257	\$ 2,939
Weingart		9,843	281	46	50	1,387	11,607
Institutional		2,223	70	18	12	392	2,715
							<u>\$ 17,261</u>

Faculty and Staff Loans

As part of a program to attract and retain excellent faculty, the University provides home mortgage financing assistance. Mortgage notes receivable amounting to \$6,769,000 and \$6,896,000 were outstanding at May 31, 2024 and 2023, respectively, and are collateralized by deeds of trust on properties concentrated in the region surrounding the University. Mortgage loans are granted up to \$150,000, interest free per eligible faculty member. The loan amounts are forgiven over a 10-year period, following one-year participation in the program, as long as the faculty member remains employed at the University per the terms of the agreement. If the faculty member leaves the University prior to the full forgiveness of the loan, the unforgiven balance of the loan is to be repaid to the University. In addition, the University provides both staff and faculty with computer loans as a benefit of employment. Notes of \$56,000 and \$60,000 were outstanding at May 31, 2024 and 2023, respectively, related to employee computer loans. No allowance for credit losses has been recorded against faculty and staff loans based on collection histories.

The faculty and staff computer loan amount represents less than 1% of total assets at both May 31, 2024 and 2023. There were no amounts past due under either program.

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4. Investments

Investments consist of the following at May 31, stated at fair value (*in thousands*):

	2024	2023
Investment cash equivalents	\$ 38,687	\$ 32,857
Government bonds	332	460
Common stock	1,126	613
Mutual funds	126,110	131,481
Commingled funds	229,649	174,350
Alternative investment funds:		
Private equity/Venture capital	137,318	130,567
Hedge funds	169,134	154,597
Natural resources	14,135	15,481
Real estate	60,547	51,258
Distressed	24,622	23,538
Real property and other	3,039	3,134
	<u>\$ 804,699</u>	<u>\$ 718,336</u>

The investment goal of the University is to maintain or grow its investments in order to increase financial support to operations and further enhance the educational mission. In order to achieve this, and also mitigate market risk, the University diversifies its investments among various financial instruments and asset categories and uses multiple investment strategies. As a general practice, virtually all the financial assets of the University are managed by external investment management firms selected by the University. The University maintains agreements with each of the external investment managers, which provide for compensation in the form of management fees. Most of these managers charge fees directly to fund Net Asset Value ("NAV") on a regular basis, and therefore, management fees are included in investment returns in the Statement of Activities.

Approximately 49% and 47% of the University's investments at May 31, 2024 and May 31, 2023 are invested (directly or indirectly) in money market funds or publicly traded equities, which are listed on national exchanges, quoted on NASDAQ, or in the over-the-counter market; treasury and agency bonds of the U.S. government; investment-grade corporate bonds for which an active trading market exists; and commingled funds comprised of the aforementioned types of investments.

The University's alternative investment funds consist of private equity, venture capital, natural resources, distressed debt, real estate and absolute return hedge funds. Approximately 51% and 53% of the University's investments as of May 31, 2024 and May 31, 2023 are invested with various limited partnerships that invest (directly or indirectly) in the securities of companies that are not immediately liquid, such as venture capital and buyout firms, and in real estate limited partnerships that have investments in various types of properties.

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The following schedule summarizes the investment return and its classification in the Statement of Activities for the years ended May 31 (*in thousands*):

	2024	2023
Unrealized and realized gains/(losses)	\$ 69,590	\$ (5,577)
Interest income, dividends, royalties and rents	20,445	12,100
Management fees and other investment related expenses	<u>(2,003)</u>	<u>(2,720)</u>
Total net gains on investments	88,032	3,803
Less: Investment returns designated for current operations	<u>(40,295)</u>	<u>(28,884)</u>
Investment returns after amounts designated for current operations	<u>\$ 47,737</u>	<u>\$ (25,081)</u>

Investment securities are exposed to various risks, such as changes in interest rates or credit ratings and market fluctuations. Due to the level of risk associated with certain investment securities and the level of uncertainty related to changes in the value of investment securities, it is possible that the University's investments and total net assets balances could fluctuate materially.

5. Property, Plant and Equipment

Property, Plant and Equipment at May 31 are as follows (*in thousands*):

	2024	2023
Land	\$ 74,544	\$ 73,258
Buildings	680,886	677,195
Equipment	157,219	150,671
Library books	109,684	105,137
Computer software	30,546	29,082
Leasehold improvements	57,659	57,309
Building improvements	158,513	143,098
Construction-in-progress	<u>8,564</u>	<u>10,668</u>
Total cost	1,277,615	1,246,418
Accumulated depreciation	<u>(541,621)</u>	<u>(509,573)</u>
Plant, property and equipment, net	<u>\$ 735,994</u>	<u>\$ 736,845</u>

Fully depreciated assets still in use are \$176,241,000 and \$164,833,000 at May 31, 2024 and 2023, respectively.

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6. Accounts Payable and Accrued Expenses

The following table sets forth major components of Accounts Payable and Accrued Expenses as of May 31 (*in thousands*):

	2024	2023
Vendor accounts payable and accruals	\$ 21,155	\$ 21,117
Postretirement benefits liability	6,832	6,454
Accrued vacation expense	10,346	9,770
Workers' compensation self-insurance liabilities	3,946	4,507
Asset retirement obligations	590	608
	<u>\$ 42,869</u>	<u>\$ 42,456</u>

7. Retirement and Other Postretirement Benefits

The University contributes to a retirement plan on behalf of eligible University employees. Under the defined contribution plan, the University and plan participants make contributions to purchase individual annuities or to participate in a variety of mutual funds. Benefits commence upon retirement and pre-retirement survivor death benefits are provided. Amounts expensed for the University's share of these costs were approximately \$17,656,000 and \$15,239,000 during the years ended May 31, 2024 and 2023, respectively.

The University currently provides certain health care benefits for retired University employees. Employees become eligible for those benefits if they reach retirement age while employed by the University and are at least age 65 with 10 years of service. As of May 31, 2024 and 2023, a net postretirement benefit liability of \$6,832,000 and \$6,454,000, respectively, is included in accounts payable and accrued expenses (see Note 6). The Statement of Activities includes the service cost component of the net periodic benefit cost which is allocated among the functional expense classifications. The remaining change in net assets is recorded in other non-operating income in the Statement of Activities. The University's postretirement benefits are funded on a pay-as-you-go basis; therefore, the plan has no assets.

The following table sets forth the postretirement health benefit plan's unfunded status as of May 31 and amounts recognized in the Statement of Activities for the years ended May 31 (*in thousands*):

	2024	2023
Benefit obligation at beginning of year	\$ 6,454	\$ 11,823
Service Cost	340	333
Interest Cost	323	267
Benefits paid	(584)	(788)
Actuarial (gain)/loss	299	(5,181)
Benefit obligation at end of year	<u>\$ 6,832</u>	<u>\$ 6,454</u>

In fiscal year 2024, the increase in benefit obligation was driven by health care cost trend updates that were partially offset by an increase in the discount rate. In fiscal year 2023, the decrease in benefit obligation was primarily due to actuarial gains driven by changes in mortality rate assumptions, the discount rate, changes in health care cost trends and retirement rates.

The initial health care cost trend rate used to estimate the expected cost of benefits covered by the plan was 7.0% and 6.25% as of May 31, 2024 and 2023, respectively. The ultimate cost trend rate expected as of May 31, 2024 and 2023 is 3.75%. The ultimate cost trend rate as of May 31, 2024 and 2023 is expected to be reached in the year 2071.

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The discount rates used to estimate the benefit obligation as of May 31, 2024 and 2023 are 5.35% and 4.85%, respectively.

Components of net periodic benefit costs for the year ended May 31 are as follows (*in thousands*):

	2024	2023
Service cost	\$ 340	\$ 333
Interest cost	323	267
Amortization of (gains)	<u>(432)</u>	<u>(482)</u>
Net periodic benefit cost	<u>\$ 231</u>	<u>\$ 118</u>

The discount rates used to determine the net periodic cost for the years ended May 31, 2024 and 2023 are 4.85% and 4.05%, respectively.

Other changes in the benefit obligation recognized in net assets without donor restrictions for the period at May 31 are as follows (*in thousands*):

	2024	2023
Net assets without donor restrictions at beginning of year	\$ 7,431	\$ 2,732
Net gain/(loss)	(299)	5,181
Amortization of net (gain)	<u>(432)</u>	<u>(482)</u>
Net assets without donor restrictions at end of year	<u>\$ 6,700</u>	<u>\$ 7,431</u>

Items not yet recognized as a component of net periodic benefit cost assets for the period at May 31 are as follows (*in thousands*):

	2024	2023
Items not yet recognized as a component of net periodic benefit cost		
Net (gain)	<u>(6,700)</u>	<u>(7,431)</u>
Total	<u>\$ (6,700)</u>	<u>\$ (7,431)</u>

The following benefit payments which reflect expected future service, as appropriate, are expected to be made as follows (*in thousands*):

Fiscal Year Ending May 31,	
2025	\$ 675
2026	683
2027	561
2028	481
2029	484
2030-2034	2,179

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8. Debt Outstanding

Total debt outstanding is composed of bonds payable resulting from borrowings issued through the California Educational Facilities Authority ("CEFA"). The University maintains all long-term debt at amortized cost on the Statements of Financial Position.

Total debt outstanding at May 31, 2024 is as follows (*in thousands*):

Series	Fiscal Year Maturity Dates	Type of Bond	Interest Rates	Principal Outstanding
2001A	2024 - 2040	Capital appreciation bonds	5.51% - 5.83%	\$ 21,694
2013A	2024 - 2043	Revenue bonds	1.67% - 4.73%	28,405
2018A	2024 - 2048	Revenues bonds, taxable	4.84%	29,210
2018B	2024 - 2048	Revenue bonds	4.00% - 5.00%	53,440
2019	2024 - 2040	Revenue bonds	3.00% - 5.00%	36,350
Total CEFA bond principal outstanding				169,099
Total unamortized premium on CEFA borrowings				10,283
Total amortized cost of CEFA bonds				179,382
Unamortized deferred issuance costs				(1,679)
Total long term debt outstanding				<u>\$ 177,703</u>

Total debt outstanding at May 31, 2023 is as follows (*in thousands*):

Series	Fiscal Year Maturity Dates	Type of Bond	Interest Rates	Principal Outstanding
2001A	2023 - 2040	Capital appreciation bonds	5.51% - 5.83%	\$ 23,561
2013A	2023 - 2043	Revenue bonds	1.67% - 4.73%	29,285
2018A	2023 - 2048	Revenues bonds, taxable	4.84%	29,210
2018B	2023 - 2048	Revenue bonds	4.00% - 5.00%	54,485
2019	2023 - 2040	Revenue bonds	3.00% - 5.00%	39,880
Total CEFA bond principal outstanding				176,421
Total unamortized premium on CEFA borrowings				11,790
Total amortized cost of CEFA bonds				188,211
Unamortized deferred issuance costs				(1,769)
Total long term debt outstanding				<u>\$ 186,442</u>

Future principal payment requirements for the CEFA bonds are as follows (*in thousands*):

Fiscal Year Ending May 31,	
2025	\$ 7,370
2026	7,793
2027	7,974
2028	8,163
2029	6,349
Thereafter	131,450
	<u>\$ 169,099</u>

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In October 2019, a portion of the CEFA 2001A bonds was defeased. The individual CEFA 2001A serial bonds continue to mature each year with final maturity on October 1, 2039. At May 31, 2024 and 2023, the total outstanding liability for these bonds was \$79,660,000 and \$81,651,000, respectively, which includes principal and accrued interest.

Total interest expense on debt outstanding for fiscal year 2024 and 2023 was \$11,780,000 and \$12,123,000, respectively.

The CEFA agreements contain covenants relating to maintenance of University assets, insurance and other general items. In addition, the University must at all times maintain net assets without donor restrictions and net assets with donor restrictions for time or purpose in the aggregate at a market value equal to at least 90% of the outstanding indebtedness. The University is in compliance with all covenants as of May 31, 2024.

9. Leases

The University is the lessee of building space under a non-cancelable operating lease agreement. The lease commencement date was June 1, 2018 and expires May 31, 2030, or May 31, 2040 if all options to extend are exercised. The University is not reasonably certain to exercise the options to extend at this time. The operating lease expense for the years ended May 31, 2024 and 2023 are both \$2,546,000. The cash payments recorded for the years ended May 31, 2024 and 2023 are \$2,255,000 and \$1,951,000, respectively, and are reflected within cash flows from operating activities on the Statements of Cash Flows. The weighted average discount rate is based on the risk-free rate of 3%. The lease contains customary escalation clauses and rent abatement entitlements, which are included in the annual aggregate minimum lease payments. Future minimum lease payments are as follows (in thousands):

Fiscal Year Ending May 31,	
2025	\$ 2,580
2026	2,683
2027	2,790
2028	2,902
2029	3,018
Thereafter	3,138
Total	17,111
Discount to present value	(1,841)
Lease liability at May 31, 2024	<u>\$ 15,270</u>

The University records short-term leases (those 12 months or less in duration) as operating expenditures in the periods in which the lease obligations are incurred.

10. Fair Value Measurements

Certain University assets and liabilities are measured and reported in the financial statements at fair value on a recurring basis. The fair value hierarchy of valuation techniques is utilized to determine such fair value. The three levels of the fair value hierarchy are as follows:

- Level 1 – Quoted prices available in active markets for identical investments.
- Level 2 – Quoted prices in active markets for similar investments; quoted prices for identical investments in markets that are inactive; and prices based on observable inputs other than an unadjusted quoted price.
- Level 3 – Prices based on significant unobservable inputs.

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Investments measured at net asset value ("NAV"), as a practical expedient for fair value, are excluded from the fair value hierarchy.

Valuation inputs may be observable or unobservable and refer to the assumptions that a market participant would consider significant to value an asset or liability. The determination of what is "observable" requires judgment by the University. In general, the University considers observable inputs to be data that are readily available, regularly updated, reliable, and verifiable. Unobservable inputs may be used when observable inputs are not readily available or current. In this situation, one or more valuation techniques may be used including the market approach (inputs based on recent market transactions or comparables) or the income approach (discounted cash flow).

The table below sets forth the University's assets and liabilities which are fair valued on a recurring basis with their associated categorization into Levels 1, 2 and 3 at May 31, 2024 (*in thousands*):

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<u>Asset classification</u>				
Investment cash equivalents	\$ 38,687	\$ -	\$ -	\$ 38,687
Debt securities				
Government bonds	-	332	-	332
Equity securities				
Common stock	1,126	-	-	1,126
Mutual funds				
Fixed income	104,262	-	-	104,262
Equity	12,930	-	-	12,930
Alternative	8,918	-	-	8,918
Real property	-	-	3,039	3,039
Investments measured at NAV	-	-	-	635,405
Total investments	165,923	332	3,039	804,699
Other assets: split/beneficial interest			1,768	1,768
Total assets	<u>\$ 165,923</u>	<u>\$ 332</u>	<u>\$ 4,807</u>	<u>\$ 806,467</u>

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The table below sets forth the University's assets and liabilities which are fair valued on a recurring basis with their associated categorization into Levels 1, 2 and 3 at May 31, 2023 (*in thousands*):

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
<u>Asset classification</u>				
Investment cash equivalents	\$ 32,857	\$ -	\$ -	\$ 32,857
Debt securities				
Government bonds	-	460	-	460
Equity securities				
Common stock	613	-	-	613
Mutual funds				
Fixed income	92,147	-	-	92,147
Equity	30,936	-	-	30,936
Alternative	8,398	-	-	8,398
Real property	-	-	3,134	3,134
Investments measured at NAV	-	-	-	549,791
Total investments	164,951	460	3,134	718,336
Other assets: split/beneficial interest			1,645	1,645
Total assets	<u>\$ 164,951</u>	<u>\$ 460</u>	<u>\$ 4,779</u>	<u>\$ 719,981</u>

Level 1: Includes the University's investment cash equivalents, investments in mutual funds, and common stock that are regularly traded in active markets where quoted prices may be easily obtained.

Level 2: Includes the University's investments in debt securities. Debt security prices are obtained from pricing services, or from brokers. Investments may also be priced using model-based valuation techniques where all assumptions are observable, or by utilizing observable inputs from contractual agreements.

Level 3: Includes the University's oil and gas interests and real property. Oil and gas interests are valued by discounting future expected royalty revenues, while real property is valued based on a number of different approaches, including third party appraisals, market comparables, tax assessor values, and discounted future rental revenues. Significant increases or decreases in these inputs in isolation may result in a lower or higher fair value measurement, respectively.

These investments also include those maintained as part of split-interest agreements where the University is not the trustee but is named as the beneficiary. The beneficial interest in the future cash flows of the split-interest agreements is valued using the income approach, calculated using a discounted cash flow analysis based on the expected annuity payments to be made over the remaining life of each respective beneficial interest. The primary unobservable inputs for beneficial interest in split-interest agreements are the applicable discount rates which range from 3.25%-8.00% and applicable life expectancies ranging from 5-18 years. For the years ended May 31, 2024 and May 31, 2023, the weighted average discount rates were 6.6% and 6.6%, respectively, and the weighted average life expectancy were 10.8 years and 11.4 years, respectively. These assets include the University's interest in life insurance policies that are recorded at cash surrender value and charitable remainder trusts that are recorded at present value of expected proceeds net of any annual distributions. A change in the discount rate of 1% in either direction would not have a material effect on the financial statements.

The methods described above may produce a fair value that may not be indicative of net realizable value or reflective of future values. In addition, while the University believes that its valuation methods are appropriate and consistent

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with those used by other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in different estimates of fair value at the reporting date.

The table below sets forth a reconciliation of beginning and ending balances for the fiscal year ended May 31, 2024, separately for each major category of assets, for financial instruments designated as Level 3 (*in thousands*):

	Beginning Balance	Realized Gains	Unrealized Gains(Losses)	Purchases	Sales / Maturities	Net Transfers	Ending Balance
Real property	\$ 3,134	\$ -	\$ (95)	\$ -	\$ -	\$ -	\$ 3,039
Split/Beneficial Interest	1,645	-	123	-	-	-	1,768
Total assets	\$ 4,779	\$ -	\$ 28	\$ -	\$ -	\$ -	\$ 4,807

The table below sets forth a reconciliation of beginning and ending balances for the fiscal year ended May 31, 2023, separately for each major category of assets, for financial instruments designated as Level 3 (*in thousands*):

	Beginning Balance	Realized Gains	Unrealized Gains/(Losses)	Purchases	Sales / Maturities	Net Transfers	Ending Balance
Real property	\$ 3,415	\$ -	\$ (281)	\$ -	\$ -	\$ -	\$ 3,134
Split/Beneficial Interest	2,533	-	(886)	-	(2)	-	1,645
Total assets	\$ 5,948	\$ -	\$ (1,167)	\$ -	\$ (2.00)	\$ -	\$ 4,779

The University uses the NAV to determine the fair value of all the underlying investments which (a) may not have a readily determinable fair value and (b) prepare financial statements consistent with the measurement principles of an investment company or have the attributes of an investment company.

The following table lists investments in other investment companies as of May 31, 2024 (in limited partnership or trust format) by major category (*in thousands*):

	Strategy	NAV in Funds	# of Funds	Remaining Life	Unfunded Commitments	Redemption Terms and Restrictions
Commingled Funds	Global, long only equities and bonds in LP/Trust format	\$229,649	5	N/A	N/A	Liquidity ranges from daily to monthly redemptions with 1 to 60 day notice.
Hedge Funds	Absolute return employing long/short, convertible arbitrage, event driven, and distressed strategies	169,134	65	N/A	N/A	Liquidity may be quarterly, annual, or rolling with various notice periods from 45 days up to 180 days. Certain funds may include holdback, gate, and/or side pocket provisions.
Private Equity	Venture and buyout in U.S. and International	137,318	39	0 to 12 years	52,694	No ability to redeem due to structure.
Natural Resources	Private natural resource and energy	14,135	9	0 to 12 years	2,677	No ability to redeem due to structure.
Real Estate/Debt	Private real estate equity	60,547	24	0 to 12 years	49,407	No ability to redeem due to structure.
Special Situations	Opportunistic	24,622	7	0 to 12 years	12,069	No ability to redeem due to structure.
Total		\$635,405	149		\$ 116,847	

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The following table lists investments in other investment companies as of May 31, 2023 (in limited partnership or trust format) by major category (*in thousands*):

	Strategy	NAV in Funds	# of Funds	Remaining Life	Unfunded Commitments	Redemption Terms and Restrictions
Commingled Funds	Global, long only equities and bonds in LP/Trust format	\$ 174,350	5	N/A	N/A	Liquidity ranges from daily to monthly redemptions with 1 to 60 day notice.
Hedge Funds	Absolute return employing long/short, convertible arbitrage, event driven, and distressed strategies	154,597	74	N/A	N/A	Liquidity may be quarterly, annual, or rolling with various notice periods from 45 days up to 180 days. Certain funds may include holdback, gate, and/or side pocket provisions.
Private Equity	Venture and buyout in U.S. and International	130,567	39	0 to 12 years	48,597	No ability to redeem due to structure.
Natural Resources	Private natural resource and energy	15,481	10	0 to 12 years	4,196	No ability to redeem due to structure.
Real Estate/Debt	Private real estate equity	51,258	18	0 to 12 years	52,788	No ability to redeem due to structure.
Special Situations	Opportunistic	23,538	7	0 to 12 years	14,582	No ability to redeem due to structure.
Total		\$549,791	153		\$ 120,163	

11. Net Assets

Net assets with donor restrictions for time or purpose for annuity trust agreements, buildings and equipment, and for scholarship and academic support represent pledges and funds previously collected, but not yet expended or released from their restrictions. Endowment net assets with donor restrictions for time or purpose include appropriations not yet expended by the University for its restricted purpose as well as accumulated investment return that has yet to be appropriated.

Net assets with donor restrictions for time or purpose at May 31 are available for the following purposes (*in thousands*):

	2024	2023
Buildings and equipment	\$ 4,517	\$ 2,534
Endowment	254,778	226,652
Pledges (Note 2)	14,525	16,240
Scholarship and program - split/beneficial interest	2,236	2,299
Undesignated - split/beneficial interest	2,439	2,611
	<u>\$ 278,495</u>	<u>\$ 250,336</u>

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Net assets with donor restrictions in perpetuity consist of the following at May 31 (*in thousands*):

	2024	2023
Investment in perpetuity, the income from which is expendable to support educational activities	\$ 256,210	\$ 243,350
Donor-restricted loan funds	22,380	21,950
Pledges restricted in perpetuity (Note 2)	12,749	12,049
	<u>\$ 291,339</u>	<u>\$ 277,349</u>

The fair value of the endowment is comprised of the following net asset composition by type of fund as of May 31, 2024, is as follows (*in thousands*):

	Without donor restrictions	With donor restrictions		
		Time or purpose	Perpetuity	Total
Donor-restricted endowment funds	\$ -	\$ 121,487	\$ 256,380	\$ 377,867
Board-designated endowment funds	342,155	-	-	342,155
Total endowment funds	<u>\$ 342,155</u>	<u>\$ 121,487</u>	<u>\$ 256,380</u>	<u>\$ 720,022</u>

The fair value of the endowment is comprised of the following net asset composition by type of fund as of May 31, 2023, is as follows (*in thousands*):

	Without donor restrictions	With donor restrictions		
		Time or purpose	Perpetuity	Total
Donor-restricted endowment funds	\$ -	\$ 96,752	\$ 243,521	\$ 340,273
Board-designated endowment funds	311,621	-	-	311,621
Total endowment funds	<u>\$ 311,621</u>	<u>\$ 96,752</u>	<u>\$ 243,521</u>	<u>\$ 651,894</u>

Changes in endowment net assets for the year ended May 31, 2024 are as follows (*in thousands*):

	Without donor restrictions	With donor restrictions		
		Time or purpose	Perpetuity	Total 2024
Endowment net assets, beginning of year	\$ 311,621	\$ 96,752	\$ 243,521	\$ 651,894
Total Investment gain net of expenses	35,555	40,891	-	76,446
Contributions	8,178	(38)	12,859	20,999
Appropriation of endowment returns for expenditure	(13,317)	(16,000)	-	(29,317)
Donor redesignation/transfers	118	(118)	-	-
Endowment net assets, end of year	<u>\$ 342,155</u>	<u>\$ 121,487</u>	<u>\$ 256,380</u>	<u>\$ 720,022</u>

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Changes in endowment net assets for the year ended May 31, 2023 are as follows (*in thousands*):

	Without donor restrictions	With donor restrictions		Total 2023
		Time or purpose	Perpetuity	
Endowment net assets, beginning of year	\$ 308,828	\$ 108,640	\$ 219,835	\$ 637,303
Total Investment gain net of expenses	2,458	982	-	3,440
Contributions	14,446	394	23,686	38,526
Appropriation of endowment returns for expenditure	(14,005)	(13,370)	-	(27,375)
Donor redesignation/transfers	(106)	106	-	-
Endowment net assets, end of year	<u>\$ 311,621</u>	<u>\$ 96,752</u>	<u>\$ 243,521</u>	<u>\$ 651,894</u>

The portions of endowment funds that are board-designated are as follows as of May 31, (*in thousands*):

Net assets without donor restrictions:

	2024	2023
Scholarship support	\$ 133,305	\$ 115,360
Chair & faculty support	50,318	47,020
Program and operating support	109,211	103,154
Awards	12,785	11,947
Plant	36,536	34,140
Total endowment net assets without donor restrictions	<u>\$ 342,155</u>	<u>\$ 311,621</u>

The portions of endowment funds that are required to be retained in perpetuity and/or for time or purpose either by explicit donor stipulation or by UPMIFA as enacted by the State of California are as follows as of May 31 (*in thousands*):

Net assets with donor restrictions for time or purpose:

	2024	2023
Scholarship support	\$ 60,937	\$ 47,477
Chair & faculty support	39,430	33,449
Program support	19,421	14,523
Awards	1,217	948
Plant	482	355
Total endowment net assets with donor restrictions for time or purpose	<u>\$ 121,487</u>	<u>\$ 96,752</u>

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Net assets with donor restrictions in perpetuity:

	2024	2023
Scholarship support	\$ 143,777	\$ 133,410
Chair & faculty support	52,469	52,255
Program support	55,777	53,710
Awards	2,907	2,696
Plant	1,450	1,450
Total endowment net assets with donor restrictions in perpetuity	<u>\$ 256,380</u>	<u>\$ 243,521</u>

12. Operating Expenses by Natural and Functional Classification

Expenses by natural and functional classification for the year ended May 31, 2024, were as follows (*in thousands*):

Expenses	Instruction	Research	Academic Support	Library	Student Services	Institutional Support	Auxiliary Enterprises	Total
Salaries & wages	\$ 109,087	\$ 6,149	\$ 23,230	\$ 5,291	\$ 32,114	\$ 44,136	\$ 8,885	\$ 228,892
Benefits	35,171	1,723	7,929	1,930	11,336	16,057	3,225	77,371
Depreciation	2,970	160	5,816	5,121	7,489	2,375	7,679	31,610
Interest expense	154	-	16	28	1,581	2,608	7,393	11,780
Other operating expenses	32,435	3,703	16,693	4,339	38,041	31,472	19,055	145,738
Total	<u>\$ 179,817</u>	<u>\$ 11,735</u>	<u>\$ 53,684</u>	<u>\$ 16,709</u>	<u>\$ 90,561</u>	<u>\$ 96,648</u>	<u>\$ 46,237</u>	<u>\$ 495,391</u>

Expenses by natural and functional classification for the year ended May 31, 2023, were as follows (*in thousands*):

Expenses	Instruction	Research	Academic Support	Library	Student Services	Institutional Support	Auxiliary Enterprises	Total
Salaries & wages	\$ 102,299	\$ 5,235	\$ 20,933	\$ 5,035	\$ 28,651	\$ 40,364	\$ 8,043	\$ 210,560
Benefits	31,421	1,472	7,029	1,752	9,666	14,355	2,777	68,472
Depreciation	2,893	156	5,453	4,950	7,322	2,657	7,451	30,882
Interest expense	159	-	17	28	1,673	2,730	7,516	12,123
Other operating expenses	27,391	4,760	17,175	4,189	33,574	24,609	16,582	128,280
Total	<u>\$ 164,163</u>	<u>\$ 11,623</u>	<u>\$ 50,607</u>	<u>\$ 15,954</u>	<u>\$ 80,886</u>	<u>\$ 84,715</u>	<u>\$ 42,369</u>	<u>\$ 450,317</u>

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13. Financial Assets and Liquidity Resources

The University's financial assets available to meet its general expenditures within one year of the statement of financial position date are as follows (*in thousands*):

	2024	2023
Total assets at year end	\$ 1,807,395	\$ 1,718,726
Less: plant assets and other non-financial assets	<u>(766,254)</u>	<u>(767,648)</u>
Financial assets at year end	1,041,141	951,078
Less: Amounts not available to meet general expenditures within one year		
Notes receivable, net	21,335	22,596
Pledges with time or purpose restrictions	25,525	24,818
Investments encumbered by donor or board restrictions, net of anticipated endowment payout	694,160	617,465
Assets whose use is limited by bond indentures	3,466	4,913
Other receivables not due within 12 months	<u>3,408</u>	<u>3,801</u>
Financial assets available at year end for current use	<u>\$ 293,247</u>	<u>\$ 277,485</u>

The University regularly monitors liquidity required to meet its operating needs and other contractual commitments, while also striving to maximize the investments of its available funds. For purposes of analyzing resources available to meet general expenditures over a 12-month period, the University considers all expenditures related to its ongoing mission-related activities as well as the conduct of services undertaken to support those activities to be general expenditures.

Notes receivables are not considered to be available to meet general expenditures because principal and interest on these loans are used solely to make new loans.

As part of the University's liquidity management, the University maintains a short-term investment portfolio with daily liquidity. During FY 2024, the University held an unsecured working capital line of credit which it could draw upon for \$50,000,000 that matures May 30, 2025. Additionally, the University has board designated endowment funds of \$342,155,000 and \$311,621,000 as of May 31, 2024 and May 31, 2023, respectively. Although the University does not intend to spend from its board-designated endowment funds other than amounts appropriated for general expenditure as part of its annual budget approval and appropriation process, amounts from its board-designated endowment could be made available, if necessary, through Board action.

The University operates with a balanced budget and anticipates collecting sufficient revenue to cover general expenditures not covered by donor-restricted resources.

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14. Scholarships

Scholarships, reported in the Statement of Activities as a reduction of the transaction price for tuition and fees, were funded in fiscal years 2024 and 2023 from the following revenue sources as of May 31 (*in thousands*):

	2024	2023
University tuition and fees	\$ 150,451	\$ 140,416
Endowment distribution	7,241	6,662
Donor contributions for current use	4,364	4,362
Government grants	1,437	2,875
Total scholarships	<u>\$ 163,493</u>	<u>\$ 154,315</u>

15. Related Parties

Members of the Society of Jesus, the Religious of the Sacred Heart of Mary, and the Sisters of St. Joseph of Orange constitute approximately 2% of the University's full and part-time faculty and administrative staff. During the years ended May 31, 2024 and 2023, the University paid these religious communities approximately \$2,654,000 and \$2,536,000, respectively, for their services. This compensation is included in Instruction, Research, Institutional support and Student services expenses in the Statement of Activities. For the years ended May 31, 2024 and 2023, the Board of Trustees contributed \$2,368,000 and \$1,844,000, respectively, to the University. In addition, the University has an existing contract with a business affiliated with a Board of Trustee member for parking and transportation services. For the years ended May 31, 2024 and 2023, the University paid this organization \$797,000 and \$811,000, respectively, for these services. The contribution revenues are included within Contributions and pledges and the parking and transportation services are included within Operating expenses in the Statement of Activities.

16. Commitments and Contingencies

Amounts are received and expended by the University under federal contracts and are subject to audit by governmental agencies. These awards are subject to audit and final acceptance by federal granting agencies. The amount of expenditures that may be disallowed by the grantors, if any, cannot be determined at this time, although the University expects such amounts, if any, to be immaterial.

For the years ended May 31, 2024 and 2023, the University was committed under certain construction contracts in the amount of \$4,639,000 and \$6,267,000, respectively.

At May 31, 2024, the University has open commitments to invest approximately \$116,847,000 with alternative investment managers.

The University's workers' compensation carrier requires that the University maintain a separate money market account or an unsecured letter of credit as collateral for claims that fall below the deductible amount. At May 31, 2024 and 2023, the University maintained a separate money market account.

The University is a defendant in various legal actions incident to the conduct of its operations. The University's management does not expect that liabilities, if any, related to these legal actions would have a material effect on the University's financial position at May 31, 2024 or May 31, 2023.

On January 30, 2020, the World Health Organization declared the coronavirus outbreak a "Public Health Emergency of International Concern" and on March 11, 2020, declared it to be a pandemic. Actions taken around the world to help mitigate the spread of the coronavirus include restrictions on travel, and quarantines in certain areas, and forced

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closures for certain types of public places and businesses. The pandemic stabilized and had minimal impact on the University's operations during the year ended May 31, 2024. The pandemic did impact the University's operations during the years ended May 31, 2023. The extent of future impacts will depend on future developments including but not limited to the duration of the outbreak, effects on financial markets and overall economic impacts.

17. Subsequent Events

Management has evaluated subsequent events through October 7, 2024, the date the financial statements were issued. There are no events that require adjustment or additional disclosure in these financial statements.