



2024 Financial Report



WILLAMETTE
UNIVERSITY

*Non Nobis
Solum
Nati Sumus*

Not Unto
Ourselves
Alone
Are We Born

WILLAMETTE UNIVERSITY
2024 FINANCIAL REPORT

June 30, 2024

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Report of Independent Auditors

The Board of Trustees
Willamette University

Report on the Audit of the Financial Statements

Opinion

We have audited the consolidated financial statements of Willamette University and subsidiaries (the University) (an Oregon nonprofit corporation), which comprise the statement of financial position as of June 30, 2024, and the related consolidated statements of activities and cash flows for the year then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the University as of June 30, 2024, and the changes in their net assets and their cash flows for the year then ended 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 (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the University and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated 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 consolidated 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 within one year after the date that the consolidated financial statements are issued.

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated 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 consolidated 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 consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the University's ability to continue as a going concern for a reasonable period of time.

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

Other Matter

Report on Summarized Comparative Information

We have previously audited the University's 2023 consolidated financial statements, and our report dated October 16, 2023, expressed an unmodified audit opinion on those consolidated financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2023, is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.



Portland, Oregon
October 24, 2024

WILLAMETTE UNIVERSITY

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

June 30, 2024 (with comparative financial information as of June 30, 2023)
(in thousands)

	2024	2023
ASSETS		
Cash and cash equivalents	\$ 7,897	\$ 5,809
Cash and cash equivalents in bond trust accounts	10,728	18,114
Accounts receivable, net	3,534	4,591
Prepaid expenses and other assets	1,310	1,461
Pledges receivable, net	4,481	4,421
Student loans receivable	1,336	1,976
Investments	319,960	315,880
Beneficial interest in trusts held by others	6,573	6,013
Operating lease right of use assets	9,854	11,238
Plant facilities, net	172,268	166,776
Total assets	\$ 537,941	\$ 536,279
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable and accrued liabilities	\$ 17,490	\$ 18,073
Deferred revenues	2,548	2,574
Annuities and trusts payable	11,047	11,883
Operating lease right of use liabilities	9,977	11,318
Bonds payable, net	114,795	115,127
Government advances for student loans	1,997	2,508
Total liabilities	157,854	161,483
Net Assets:		
Without donor restrictions:		
Charitable gift annuity funds	836	769
Board designated endowments	29,104	39,221
Other net assets without donor restrictions	40,996	44,105
Total net assets without donor restrictions	70,936	84,095
With donor restrictions:		
Unexpended funds received for specific purposes	15,521	15,727
Trust and annuity funds	9,715	9,417
Accumulated undistributed endowment gains	94,420	82,051
Funds with purpose restrictions functioning as endowment	1,977	2,565
Endowment funds restricted in perpetuity	182,754	176,395
Endowment funds held in perpetual trust by others	4,764	4,546
Total net assets with donor restrictions	309,151	290,701
Total net assets	380,087	374,796
Total liabilities and net assets	\$ 537,941	\$ 536,279

WILLAMETTE UNIVERSITY

CONSOLIDATED STATEMENTS OF ACTIVITIES

For the year ended June 30, 2024 (with summarized comparative financial information for the year ended June 30, 2023)
(in thousands)

	2024			2023
	Without Donor Restrictions	With Donor Restrictions	Total	Total
Revenues:				
Tuition and fees	\$ 123,147	\$ -	\$ 123,147	\$ 105,002
Less student scholarships	(62,470)	(8,610)	(71,080)	(56,621)
Net tuition and fees	60,677	(8,610)	52,067	48,381
Room and board fees	18,161	-	18,161	14,554
Contributions	2,919	11,692	14,611	12,297
Endowment income distributed	5,682	11,050	16,732	17,202
Auxiliary enterprises	722	-	722	628
Grant revenues	838	1,623	2,461	3,117
Other revenues	3,610	319	3,929	2,780
Net assets released from restrictions	10,846	(10,846)	-	-
Total revenues	103,455	5,228	108,683	98,959
Expenses:				
Salaries and wages	54,556	-	54,556	51,803
Employee fringe benefits	16,405	-	16,405	15,478
Supplies and services	31,698	-	31,698	32,162
Plant operations and maintenance	4,949	-	4,949	4,766
Depreciation	6,427	-	6,427	6,485
Interest	3,559	-	3,559	3,799
Total expenses	117,594	-	117,594	114,493
Change in net assets before other changes	(14,139)	5,228	(8,911)	(15,534)
Other changes in net assets:				
Endowment returns, net of distributions	158	12,518	12,676	(2,383)
Adjustment related to annuities and trusts	70	1,590	1,660	615
Post retirement benefits liability adjustment	(111)	-	(111)	487
Gain on extinguishment of debt	-	-	-	-
Adjustments to restricted pledges	-	(23)	(23)	-
Other	863	(863)	-	-
Change in net assets	(13,159)	18,450	5,291	(16,815)
Net assets at beginning of year	84,095	290,701	374,796	391,611
Net assets at end of year	<u>\$ 70,936</u>	<u>\$ 309,151</u>	<u>\$ 380,087</u>	<u>\$ 374,796</u>

WILLAMETTE UNIVERSITY

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the year ended June 30, 2024 (with comparative financial information for the year ended June 30, 2023)
(in thousands)

	2024	2023
Cash flows from operating activities:		
Cash received from tuition, fees, room and board	\$ 71,899	\$ 64,446
Cash received from contributions and grants	5,571	12,726
Cash investment returns	1,805	1,338
Miscellaneous receipts	2,696	3,048
Payments for employees and benefits	(70,793)	(68,459)
Payments to vendors	(39,103)	(36,673)
Cash paid for interest on bonds, net of amounts capitalized	(4,345)	(4,307)
Net change in cash from operating activities	<u>(32,270)</u>	<u>(27,881)</u>
Cash flows from investing activities:		
Purchases of investments	(8,307)	(25,633)
Proceeds from maturities/sales of investments	36,050	48,133
Purchases of plant facilities	(10,840)	(6,222)
Net change in cash from investing activities	<u>16,903</u>	<u>16,278</u>
Cash flows from financing activities:		
Cash contributions restricted for:		
Investment in endowment	8,539	3,503
Investment in plant facilities	2,041	112
Change in government advances for student loans	(511)	(639)
Net change in cash from financing activities	<u>10,069</u>	<u>2,976</u>
Net change in cash and cash equivalents	(5,298)	(8,627)
Total beginning cash and cash equivalents and restricted cash and cash equivalents	23,923	32,550
Total ending cash and cash equivalents and restricted cash and cash equivalents	<u>\$ 18,625</u>	<u>\$ 23,923</u>
Reconciliation of cash and cash equivalents and restricted cash and cash equivalents to statement of financial position:		
Cash and cash equivalents	\$ 7,897	\$ 5,809
Cash and cash equivalents in bond trust accounts	10,728	18,114
Total ending cash and cash equivalents and restricted cash and cash equivalents	<u>\$ 18,625</u>	<u>\$ 23,923</u>

WILLAMETTE UNIVERSITY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2024 (with comparative financial information as of June 30, 2023)
(in thousands)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Willamette University (the University) is a private institution of higher education accredited by the Northwest Commission on Colleges and Universities, and is an Oregon not-for-profit organization funded by student tuition revenue, endowment income, and outside contributions, offering students a number of graduate and undergraduate degrees in programs connecting liberal arts education to professional practice.

Basis of Accounting

These consolidated financial statements are presented on the accrual basis of accounting in accordance with U.S. generally accepted accounting principles, and have been prepared to focus on the University as a whole.

Consolidation

The accompanying financial statements are the consolidated financial statements of the University and the following entities. All material transactions between the university and its consolidated entities have been eliminated.

Center for Contemporary Art and Culture (CCAC) was acquired as part of the 2021 merger with Pacific Northwest College of Art. Formerly known as Museum of Craft and Design, CCAC is an Oregon nonprofit membership corporation whose sole corporate member is the University. CCAC owns 80% of PCNA Holdings, LLC and 1% of PNCA Master Tenant, LLC.

PNCA Holdings, LLC (PNCA Holdings) was acquired as part of the 2021 merger with Pacific Northwest College of Art, and is a limited liability company whose managing member is CCAC and whose investor member is PNCA Master Tenant, LLC. PNCA Holdings was formed to indirectly acquire, hold and operate PNCA's main campus facility, a historic former federal building located in Portland, Oregon. A federal new market tax credit compliance period ended in December 2021, and financial assets and liabilities related to the tax credits were unwound at that time.

PNCA Master Tenant, LLC (PNCA Master Tenant) was acquired as part of the 2021 merger with Pacific Northwest College of Art, and is a limited liability company whose managing member is the University and whose investor member is CCAC. PNCA Master Tenant leases PNCA's main campus facility from PNCA Holdings, and subleases it to the University.

WUE Investment Holdings, LP (WUE IH) holds the University's endowment assets. The University is the sole limited partner, while an outsourced chief investment office (OCIO) acts as general partner. See Note 5 for more information on WUE IH, also referred to as the multi-strategy limited partnership investment fund.

Willamette Angel Fund, LLC (Angel Fund) was formed to hold assets for an experiential learning program operated by the University's Atkinson Graduate School of Management. This program allows students to experience all aspects of selecting and acquiring venture capital assets, including due diligence. The University is the sole member in Angel Fund, which is treated as a disregarded entity for income tax purposes.

Use of Estimates

The preparation of consolidated financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities at the date of the consolidated financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

Income Taxes

The Internal Revenue Service (IRS) has recognized both the University and CCAC as exempt from tax under the provisions of Section 501(c)(3) of the Internal Revenue Code except to the extent of unrelated business income under Sections 511 through 515. Given the insignificance of unrelated business income, no tax provision has been made.

PNCA Holdings, PNCA Master Tenant, and WUE IH are pass-through entities for federal income tax purposes. Thus, their income, deductions, and credits flow through to their respective partners or members, who report these items on their tax returns.

WILLAMETTE UNIVERSITY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2024 (with comparative financial information as of June 30, 2023)
(in thousands)

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *Continued*

Income Taxes Continued

The University and its consolidated entities account for income taxes in accordance with Accounting Standards Codification (ASC) 740-10, *Income Taxes - Overall*. This standard clarifies the accounting for uncertainty in income taxes recognized in an enterprise's consolidated financial statements and prescribes a more-likely-than-not threshold for the recognition of tax benefits associated with uncertain tax positions. The University does not have any uncertain tax positions as of June 30.

Financial Statement Presentation

The University reports financial information according to the existence or absence of donor imposed restrictions, classifying net assets and transactions into two classes:

Net assets without donor restrictions – Net assets not subject to donor imposed restrictions. These may be designated for specific purposes by action of the Board of Trustees.

Net assets with donor restrictions – Net assets subject to donor imposed restrictions that will be met by action of the University and/or the passage of time, or will exist in perpetuity in the form of endowment funds. Generally, the donors of endowment funds permit the University to use all or part of the income earned on related investments for general or specific purposes.

Revenues are reported as increases in net assets without donor restrictions unless their use is limited by donor imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions. Investment income and gains and losses on investments and on other assets or liabilities are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor restrictions or by law. Expirations of restrictions on net assets (i.e., the donor stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as a release from net assets with donor restrictions to net assets without donor restrictions in the consolidated statements of activities.

Changes in net assets before other changes serves as a measure of operations. The University defines non-operating activities to include endowment returns net of distributions for operations, actuarial adjustments to trusts and annuities and post-retirement benefits, adjustments to restricted pledges, and gain or loss on extinguishment of debt. Certain other gains and losses that do not occur in the normal course of operations are also included in other changes in net assets.

The statements of activities include comparative summarized information for the year ended June 30, 2023. Such information does not include sufficient detail by net asset class to constitute a presentation in conformity with U.S. generally accepted accounting principles. Accordingly, such information should be read in conjunction with the University's consolidated financial statements for the year ended June 30, 2023, from which the summarized information was derived.

Tuition and fees

Student tuition and fee revenue is recognized pro-rata over each term as performance obligations associated with the delivery of educational services are met. Registration and other fees that do not relate to instruction are recognized when no longer refundable. The University's student accounts receivable represent unconditional rights to consideration from its contracts with students; accordingly, receivables are recorded once the term has begun and revenue recognition has commenced. The University maintains an institutional tuition refund policy, which provides for a full or partial refund of tuition if a student withdraws during stated refund periods. If a student withdraws at a time when only a portion, or none of the tuition is refundable, then in accordance with its revenue recognition policy, the University continues to recognize the tuition that was not refunded pro-rata over the applicable period of instruction. The University's education programs have start and end dates that differ from its fiscal year-end. Students are generally billed for courses and programs prior to the start of the course or program. Therefore, at the end of each fiscal year, a portion of revenue from these programs is not yet earned and is recorded as deferred revenue in the statements of financial position.

WILLAMETTE UNIVERSITY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2024 (with comparative financial information as of June 30, 2023)
(in thousands)

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *Continued*

Room and Board Fees

Room and board fees are recognized pro-rata as services are provided. Receivables are recorded once students move into housing, reflecting unconditional rights from student contracts. Full or partial refunds are issued if students withdraw and check out during refund periods. For non-refundable periods, the University recognizes room and board fees pro-rata over the housing period. At fiscal year-end, unearned room and board fee revenue is recorded as deferred revenue in the statement of financial position.

Contributions and Pledges Receivable

Contributions, including unconditional promises to give (pledges), are recognized as revenue in the period in which they are received. Unconditional promises to give are recorded at the estimated present value of future cash flows, discounted at a risk-adjusted rate. The amortization of this discount is recorded as additional contribution revenue.

Conditional promises to give are not recognized until the conditions on which they depend have been substantially met, specifically when barriers to entitlement are overcome and a right of return or release has occurred. Contributions of assets other than cash are recorded at their estimated fair value at the date of donation. Contributions for capitalized long-lived assets are released from restriction when the assets are placed into service.

An allowance for uncollectible contributions receivable is provided based on management's judgment, which considers such factors as prior giving history, type of contribution, collection risk, and the nature of fundraising activity.

Government and Private Grants

Individual, governmental, and private grant arrangements are evaluated on an individual basis. If determined to be nonreciprocal, meaning the granting entity has not received a direct benefit in exchange for the resources provided, revenue is recognized like a conditional contribution until any barriers to entitlement are overcome. Barriers to entitlement are considered overcome when expenditures associated with each grant are determined to be allowable and all other significant conditions of the grant are met. As of June 30, 2024, the amount for which grants were awarded but conditions required for recognition not yet met, typically when qualified expenditures are incurred, was \$3,298.

Auxiliary Enterprises and Other Revenues

Other revenue sources, including summer conferences, parking permits, and coffee shop sales, are recognized in the period in which they are earned.

Cash and Cash Equivalents

Cash and cash equivalents include bank demand deposits, petty cash, and money market accounts which are not considered restricted long-term investments. Cash in bond trust accounts consists primarily of unspent project funds from the issuance of 2021 Series A revenue bonds. For valuation purposes, cash and cash equivalents have observable inputs (see Investments for more information on observable inputs). The amount of cash and cash equivalents on deposit fluctuates and may exceed the limit of \$250,000 insured by the Federal Deposit Insurance Corporation per depositor per insured bank.

Accounts Receivable, Net

Accounts receivable consist primarily of unsecured student accounts receivable and are carried at their outstanding amount. Under the Current Expected Credit Loss (CECL) model, the allowance for credit losses is measured based on historical experience, current conditions, and reasonable and supportable forecasts that affect the collectability of the reported amount. The allowance estimate reflects management's estimate of expected credit losses over the contractual life of the accounts receivable. Account balances are charged off against the allowance when management believes that the collectability of the account is unlikely, after considering all available means of collection.

WILLAMETTE UNIVERSITY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2024 (with comparative financial information as of June 30, 2023)
(in thousands)

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *Continued*

Investments

The University follows the provisions of ASC 820, *Fair Value Measurements*, which defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date and establishes a framework for measuring fair value.

ASC 820 establishes a three level valuation hierarchy for fair value measurements. The valuation hierarchy is based upon the transparency of inputs to the valuation of an asset or liability as of the measurement date. The three levels are defined as follows:

Level 1 – Inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 – Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. This includes quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the asset or liability, or inputs that are derived principally from or corroborated by observable market data.

Level 3 – Inputs are unobservable for the asset or liability. Unobservable inputs reflect the reporting entity's own assumptions about the assumptions that market participants would use in pricing the asset or liability developed based on the best information available in the circumstances.

A financial instrument's categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement. In addition, the University's ability to redeem its interest at or near the date of the statement of financial position is also considered. Investments measured at net asset value (NAV) per share (or its equivalent) using the practical expedient in the fair value measurement guidance are not included in the fair value hierarchy. The inputs or methodology used for valuing or classifying investments for financial reporting purposes are not necessarily an indication of the risks associated with those investments or a reflection of the liquidity of or degree of difficulty in estimating the fair value of each fund's underlying assets and liabilities.

Investments are reported at estimated fair value using the provisions of ASC 820, as discussed in the section, *Fair Value Measurements*. If an investment is held directly by the University and an active market with quoted prices exists, the market price of an identical security is used as reported fair value. Reported fair values for shares in mutual funds are based on share prices reported by the funds as of the last day of the fiscal year. Alternative investments are reported at NAV as provided by the investees and in accordance with applicable professional literature, unless it is probable that all or a portion of the investment will be sold for an amount different from NAV. These financial instruments may contain elements of both credit and market risk. Such risks include, but are not limited to, limited liquidity, absence of regulatory oversight, dependence upon key individuals, emphasis on speculative investments, and nondisclosure of full portfolio composition. Management believes the carrying amount of these financial instruments is a reasonable estimate of the fair value. Estimated fair values may differ materially from the values that would have been used had a ready market for those securities existed. Realized and unrealized gains and losses on endowment investments are reflected in the statements of activities as endowment returns.

Charitable Gift Annuities and Remainder Trusts

The University has entered into deferred gift agreements with donors classified as charitable gift annuities and charitable remainder trusts. Under these agreements, the University receives a gift from the donor in which it has a remainder interest and agrees to make distributions to beneficiaries over a specified period of time, often the lifetime of the beneficiaries. When the agreement reaches the end of its terms, remaining assets are transferred to University funds, or in some cases, are distributed to third-party beneficiaries. The University manages a segregated pool of assets for charitable gift annuities, and serves as the trustee for various charitable remainder trusts. Assets held in the gift annuity pool and charitable trusts are carried as investments at their estimated fair values. The related liability is recorded at the estimated present value of the amounts due to income beneficiaries or third party remainder beneficiaries.

WILLAMETTE UNIVERSITY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2024 (with comparative financial information as of June 30, 2023)
(in thousands)

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *Continued*

Charitable Gift Annuities and Remainder Trusts Continued

The University uses an actuarial method to account for charitable gift annuities and remainder trusts. Under this method, the present value of payments to beneficiaries is determined based upon life expectancy tables (currently 2012 IAR) when the gift is received. The estimated present value of those payments is recorded as a liability and the remainder as net assets without donor restrictions or net assets with donor restrictions, determined by purpose restrictions imposed by donors and implied time restrictions for charitable remainder trusts. Periodic adjustments are made between the liability and the net assets to record actuarial gains or losses.

The discount rate used by the University to calculate the present value of these agreements is 6%.

Beneficial Interest in Trusts Held by Others

Assets held in trust by others represent resources held and administered by outside trustees, from which the University derives income or has a residual interest. These assets are recognized at the present value of estimated future cash flows when the trust is established and/or the University is notified of its existence. Changes in the fair value of remainder trust assets held by others are reflected in adjustment related to annuities and trusts in the statement of activities. Changes in the fair value of perpetual trust assets held by others are reflected in endowment returns, net of distributions.

Plant Facilities, net

Plant facilities are recorded at cost at the date of acquisition, or fair value at the date of receipt if contributed. Routine repair and maintenance expenses and replacement costs are expensed as incurred. The University computes depreciation using the straight line method over the estimated useful lives of plant facilities.

	Capitalization Threshold	Useful Lives
Campus improvements	\$25	25 years
Buildings and building improvements	25 - 50	25 - 50 years
Furniture, fixtures and equipment	5	5 - 15 years
Library holdings	N/A	25 years

The University has acquired art and other collectibles as part of its Hallie Ford Museum of Art and Center for Contemporary Art and Culture collections (art collections). Depreciation is not recorded on art collections. Proceeds from the sale of deaccessioned items are used for acquisition or direct care of art collections.

Leases

The University follows ASC 842, recognizing a right-of-use asset and lease liability for leases longer than 12 months, including operating leases. The lease liability reflects the University's obligation to make discounted lease payments, while the right-of-use asset represents the University's right to use a specified asset for the lease term. The risk-free rate at lease inception determines the present value of lease payments. Variable lease payments are treated as period expenses unless based on an index or the liability is remeasured. The University has elected the practical expedient to not restate prior periods for leases commencing before the effective date of ASC 842.

Bond Issuance Costs

Bond issuance costs are classified as a component of bonds payable in the statements of financial position. Amortization of the bond issuance costs is calculated using a method that approximates the effective yield over the life of the bonds.

Recently Adopted Accounting Pronouncements

Effective July 1, 2023, the University adopted Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-13, *Financial Instruments - Credit Losses* (Topic 326), which required the use of the current expected credit losses (CECL) impairment model for a broad scope of financial instruments. The CECL model required the immediate recognition of estimated expected credit losses over the life of the financial instrument. The impact of the adoption was not considered material to the consolidated financial statements and primarily resulted in only enhanced disclosures.

WILLAMETTE UNIVERSITY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2024 (with comparative financial information as of June 30, 2023)
(in thousands)

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *Continued*

Reclassifications

Certain prior year amounts have been reclassified to conform to current year presentation. These changes had no effect on net assets or the change in net assets.

NOTE 2 - ACCOUNTS RECEIVABLE

At June 30, 2024 and June 30, 2023, accounts receivable are as follows:

	2024	2023
Student accounts	\$ 863	\$ 809
Student accounts due from a third party sponsor	8	9
Student accounts in collections	2,266	2,223
Federal student loans pending drawdown	2,047	2,106
Other receivables	829	1,842
	<u>6,013</u>	<u>6,989</u>
Less: allowance for credit losses		
Beginning of year	(2,398)	(2,508)
Increase in provision	(143)	(264)
Write-offs, net of recoveries	62	374
End of year	<u>(2,479)</u>	<u>(2,398)</u>
Accounts receivable, net	<u><u>\$ 3,534</u></u>	<u><u>\$ 4,591</u></u>

NOTE 3 – PLEDGES RECEIVABLE

The University records pledges receivable at the present value of estimated future cash flows using discount rates ranging from 4.52% to 0.22% for pledges receivable outstanding at June 30, 2024 and June 30, 2023. Annual payments are scheduled to be received as follows:

	2024	2023
Less than one year	\$ 2,263	\$ 1,937
One to five years	2,477	2,698
	<u>4,740</u>	<u>4,635</u>
Less:		
Discount	(175)	(132)
Reserve for uncollectible accounts	(84)	(82)
Pledges receivable, net	<u><u>\$ 4,481</u></u>	<u><u>\$ 4,421</u></u>

Contributions due from related party donors totaled \$1,634 and \$860 at June 30, 2024 and June 30, 2023, respectively.

NOTE 4 - STUDENT LOANS RECEIVABLE

The University's student loans receivable is comprised of unsecured Federal Perkins Loans for which the University acts as an agent for the federal government. These loans are payable with interest at 5.0% and are recorded based on the outstanding principal balance, less an allowance for estimated losses. Perkins loans receivable, net, were \$1,336 and \$1,976 as of June 30, 2024 and June 30, 2023.

Funds held in the Federal Perkins Loan programs of \$1,997 and \$2,508 are ultimately refundable to the government and are classified as a liability in the statement of financial position as of June 30, 2024 and June 30, 2023.

WILLAMETTE UNIVERSITY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2024 (with comparative financial information as of June 30, 2023)
(in thousands)

NOTE 4 - STUDENT LOANS RECEIVABLE *Continued*

Since student loans under the Federal Perkins Loan program can be assigned to the U.S. government when they are no longer collectible, a Perkins loan write off will reduce the amount refundable to the government. Due to this program provision, the University does not maintain an allowance for doubtful accounts with regard to Perkins loans. Nonperforming Perkins loans were \$282 and \$391 as of June 30, 2024 and June 30, 2023.

The Perkins loan program was not reauthorized, and final disbursements were made in the year ended May 31, 2018. The University will return excess funds as required by the federal government, and will continue to service loans until assignment is required or it is more cost-effective to assign the remaining loans.

NOTE 5 - INVESTMENTS

Investments at June 30, 2024 and June 30, 2023 are as follows:

	2024	2023
Multi-strategy limited partnership investment fund	\$ 280,413	\$ 261,474
Balanced stock/fixed income limited partnership investment fund	12,255	24,472
Money market funds	6,462	8,519
Fixed income securities	5,270	5,473
Equity and real asset funds	15,560	15,942
Total investments	<u>\$ 319,960</u>	<u>\$ 315,880</u>

Net realized and unrealized gains and losses, net of investment fees, were \$31,015 and \$16,475 for the years ended June 30, 2024 and 2023, respectively.

(a) Overall Endowment Investment Objective

The overall investment objective of the University is to produce the maximum total return (net income plus appreciation) consistent with prudent management and preservation of purchasing power (preservation of principal adjusted for inflation). The University's Endowment Committee oversees the University's investment program in accordance with established guidelines approved by the Board of Trustees.

(b) Endowment Investment Strategy

The University has engaged an outsourced Chief Investment Office (OCIO). Most of its endowment assets are invested in a single multi-strategy limited partnership fund. This Fund focuses on diverse traditional and nontraditional investment opportunities, mainly investing in vehicles like hedge funds, private equity funds, and pooled accounts managed by third parties. It can also invest directly in securities, ETFs, derivatives, and other instruments.

The Fund's portfolio is globally diversified and allocated across multiple asset classes including equities, real assets, commodities/resources and fixed income instruments. The Fund is invested for total return; generating current income is not an objective. The long-term total return objective dictates a significant allocation to asset classes expected to generate equity-like returns. The risks inherent in higher returning asset classes can normally be reduced through diversification, which is a key principal of the Fund's asset allocation approach. The Fund's investments are subject to various risk factors including market, credit and industry risk. Market risk represents the potential loss in value of financial instruments caused by movements in market variables, such as interest rates. Other risks affecting these investments include, but are not limited to, increasing competition, rapid changes in technology and changes in economic conditions.

The University's interest in the Fund is redeemable annually at net asset value, requiring a written redemption request at least 120 days prior to the annual redemption date. Due to the illiquid nature of its underlying investments, all redemptions from the Fund are subject to the general partner's approval and may be limited or suspended entirely. Additionally, sale of all or part of the Fund to a third party is not permitted.

WILLAMETTE UNIVERSITY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2024 (with comparative financial information as of June 30, 2023)
(in thousands)

NOTE 5 - INVESTMENTS *Continued*

The following table summarizes the percentage asset allocation in the University's multi-strategy limited partnership investment fund as of June 30, 2024 and June 30, 2023:

	2024	2023
Public equity managers and listed investments	21%	19%
Alternative investment vehicles and other real assets	70%	72%
Fixed income, cash and cash equivalents, and other	9%	9%
	<u>100%</u>	<u>100%</u>

The University's investments and other assets by major category in the fair value hierarchy as of June 30, 2024 and June 30, 2023 are as follows:

	Total	Level 1	Level 2	Level 3
	2024			
Beneficial interest in trusts held by others (a)	\$ 6,573	\$ -	\$ -	\$ 6,573
Investments in the fair value hierarchy:				
Money market funds	6,462	6,462	-	-
Fixed income securities	5,270	5,270	-	-
Stocks, equity and real asset funds	15,560	14,632	-	928
Total	<u>27,292</u>	<u>26,364</u>	<u>-</u>	<u>928</u>
Investments measured at net asset value:				
Multi-strategy limited partnership (LP) investment fund (b)	280,413			
Balanced stock/fixed income LP investment fund (c)	12,255			
Total investments	<u>319,960</u>	<u>26,364</u>	<u>-</u>	<u>928</u>
Total assets	<u>\$ 326,533</u>	<u>26,364</u>	<u>-</u>	<u>7,501</u>
	2023			
Beneficial interest in trusts held by others (a)	\$ 6,013	\$ -	\$ -	\$ 6,013
Investments in the fair value hierarchy:				
Money market funds	8,519	8,519	-	-
Fixed income securities	5,473	5,473	-	-
Stocks, equity and real asset funds	15,942	15,081	-	861
Total	<u>29,934</u>	<u>29,073</u>	<u>-</u>	<u>861</u>
Investments measured at net asset value:				
Multi-strategy limited partnership (LP) investment fund (b)	261,474	-	-	-
Balanced stock/fixed income LP investment fund (c)	24,472	-	-	-
Total investments	<u>315,880</u>	<u>29,073</u>	<u>-</u>	<u>861</u>
Total assets	<u>\$ 321,893</u>	<u>\$ 29,073</u>	<u>\$ -</u>	<u>\$ 6,874</u>

(a) Beneficial interest in trusts held by others represents charitable remainder trusts and perpetual trusts for which the University is a beneficiary but does not serve as trustee. The trustee is responsible for making investment decisions and providing distributions to the University based on its share in the fair value of the trust. As value represents expected future cash flows from the underlying assets held by the trustee, these assets are classified as Level 3 investments.

(b) See Endowment Investment Strategy.

(c) The University's interest in the balanced stock/fixed income LP fund, managed by the OCIO, is fully redeemable monthly at net asset value with a 6-day prior written request.

WILLAMETTE UNIVERSITY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2024 (with comparative financial information as of June 30, 2023)
(in thousands)

NOTE 5 - INVESTMENTS *Continued*

The liquidity profile for the multi-strategy limited partnership investment fund is actively managed to maintain sufficient liquidity for limited partners. At June 30, 2024, 38% and 46% of the fund was convertible to cash within one year and three years, respectively. As of June 30, 2024, the University had approximately \$49.3 million of unfunded commitments. However, commitments are made each year to new private investments within the portfolio. Generally, the eventual capital calls associated therewith are met by distribution from maturing private investments.

Investment liquidity as of June 30, 2024 is aggregated below based on expected redemption or sale period:

	<u>Investments fair values</u>
Daily	\$ 26,364
Monthly	12,255
Biannually	280,413
Illiquid	928
	<u>\$ 319,960</u>

Activities for investments classified in Level 3 are as follows for the years ended June 30, 2024 and June 30, 2023:

	<u>2024</u>			<u>2023</u>		
	Beneficial interest-trusts held by others	Stock and equity funds	Total	Beneficial interest-trusts held by others	Stock and equity funds	Total
Beginning balances	\$ 6,013	861	6,874	\$ 5,968	839	6,807
Net realized and unrealized gains (losses)	560	(8)	552	45	(53)	(8)
Additions	-	75	75	-	75	75
Proceeds	-	-	-	-	-	-
Transfers between levels	-	-	-	-	-	-
Ending balances	<u>\$ 6,573</u>	<u>928</u>	<u>7,501</u>	<u>\$ 6,013</u>	<u>861</u>	<u>6,874</u>

NOTE 6 - ENDOWMENT AND FUNDS FUNCTIONING AS ENDOWMENT

As of June 30, 2024, the University's endowment consists of 670 individual funds established for a variety of purposes, including both donor-restricted endowment funds and funds designated to function as endowments. As required by U.S. generally accepted accounting principles (GAAP), net assets associated with endowment funds, including funds designated by the governing board to function as endowments, are classified and reported based on the existence or absence of donor imposed restrictions.

Interpretation of Relevant Law

The University has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) enacted in the State of Oregon to allow the board to define prudent spending from donor-restricted endowment funds absent explicit donor instruction. For accounting purposes, the University classifies as endowment funds restricted in perpetuity the original value of gifts donated to the perpetual endowment. The remaining portion of the donor-restricted endowment fund that is not classified as endowment funds restricted in perpetuity is classified as accumulated undistributed endowment gains until those amounts are appropriated for expenditure.

In making a determination to appropriate accumulated undistributed endowment gains consistent with the standard of prudence prescribed by UPMIFA, the University considers factors including the purposes of the University and the donor-restricted endowment fund, the duration and preservation of the fund, the investment policies of the University, expected total return from income and appreciation of investments, general economic conditions, the possible effect of inflation and deflation, and other resources of the University. Determinations also consider the rebuttable presumption of imprudence for appropriations of more than 7% of the fair market value of an endowment fund, calculated on the basis of quarterly market values averaged over a period of not less than three years immediately preceding the year in which the appropriation was made, in accordance with the Oregon UPMIFA statute.

WILLAMETTE UNIVERSITY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2024 (with comparative financial information as of June 30, 2023)
(in thousands)

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

Return Objectives and Risk Parameters

The University has adopted investment and spending policies for endowment assets that seek to produce the maximum total return (net income plus appreciation) consistent with prudent management and preservation of purchasing power (preservation of principal adjusted for inflation); provide a consistent or increasing level of support on an inflation-adjusted basis over the long term; and maintain intergenerational equity between the current generation and future generations of beneficiaries.

Endowment net asset composition by type of fund consists of the following as of June 30, 2024 and June 30, 2023:

	2024			2023		
	Without donor restrictions	With donor restrictions	Total	Without donor restrictions	With donor restrictions	Total
Funds functioning as endowment	\$ 29,104	1,977	31,081	\$ 39,221	2,565	41,786
Accumulated endowment gains	-	94,420	94,420	-	82,051	82,051
Funds restricted in perpetuity	-	182,754	182,754	-	176,395	176,395
Funds held in perpetual trust by others	-	4,764	4,764	-	4,546	4,546
Total endowment net assets	<u>29,104</u>	<u>283,915</u>	<u>313,019</u>	<u>39,221</u>	<u>265,557</u>	<u>304,778</u>
Less perpetual trusts held by others	-	(4,764)	(4,764)	-	(4,546)	(4,546)
Less endowment pledges receivable	-	(1,460)	(1,460)	(60)	(1,532)	(1,592)
Add custodial funds invested	410	-	410	405	-	405
Pooled endowment investment funds	<u>\$ 29,514</u>	<u>277,691</u>	<u>307,205</u>	<u>\$ 39,566</u>	<u>259,479</u>	<u>299,045</u>

Changes in endowment net assets for the years ended June 30, 2024 and June 30, 2023 are as follows:

	2024			2023		
	Without donor restrictions	With donor restrictions	Total	Without donor restrictions	With donor restrictions	Total
Beginning endowment net assets	\$ 39,221	265,557	304,778	\$ 45,017	261,512	306,529
Net investment returns	5,840	23,568	29,408	2,114	12,705	14,819
Contributions	-	4,819	4,819	-	1,809	1,809
Bequests deposited to quasi	73	490	563	2,151	3,638	5,789
Appropriation for expenditure	(5,682)	(11,050)	(16,732)	(2,681)	(14,521)	(17,202)
Other changes:						
Annuity and trust maturities	-	1,316	1,316	-	-	-
Board directed quasi transfer	(10,470)	(661)	(11,131)	(7,987)	-	(7,987)
Other quasi transfers	-	-	-	-	(6)	(6)
Adjustments to restricted pledges	-	(23)	(23)	-	-	-
Release purpose-restricted quasi	109	(109)	-	585	(585)	-
Other	13	8	21	22	1,005	1,027
Ending endowment net assets	<u>\$ 29,104</u>	<u>283,915</u>	<u>313,019</u>	<u>\$ 39,221</u>	<u>265,557</u>	<u>304,778</u>

WILLAMETTE UNIVERSITY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2024 (with comparative financial information as of June 30, 2023)
(in thousands)

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

Spending Policy

The University has a policy of appropriating each year for distribution 4.5% of the endowment investment pool's average market value over the prior twenty quarters, through the quarter ending on September 30th of the year preceding distribution. In addition, excess appropriation was applied to funds generating revenue without donor restrictions and budget-relieving revenue for the years ended June 30, 2024 and June 30, 2023. The average rate applied to funds in the spending formula was 5.58% and 5.94%, respectively, for the years ended June 30, 2024 and June 30, 2023. The effective spending rate (calculated as current spending distributions net of reinvestments and recapture divided by the fair value of endowment investments at the beginning of the year) was 5.60% and 5.73%, respectively, for the years ended June 30, 2024 and June 30, 2023.

Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires the University to maintain as a fund of perpetual duration. UPMIFA allows an institution to continue to spend on an endowment that is below this level. Deficiencies of this nature were \$805 and \$2,860 as of June 30, 2024 and June 30, 2023, respectively, and are included in the table below. These deficiencies resulted from unfavorable market fluctuations that occurred after the investment of new donor-restricted contributions and continued appropriation for certain programs. Future expenditures from funds with deficiencies are subject to the same criteria used in appropriation determinations - see discussion under Interpretation of Relevant Law.

Cumulative gains and losses for endowment funds with donor restrictions are as follows as of June 30, 2024 and June 30, 2023:

	2024			2023		
	Original gift	Cumulative gains/(losses)	Fair Value	Original gift	Cumulative gains/(losses)	Fair Value
Underwater funds restricted in perpetuity	\$ 22,427	(805)	21,622	\$ 37,938	(2,860)	35,078
Other funds restricted in perpetuity	158,867	94,688	253,555	136,925	84,911	221,836
Funds with purpose restrictions functioning as endowment	1,977	537	2,514	2,565	-	2,565
Total donor-restricted endowment pool	<u>\$ 183,271</u>	<u>94,420</u>	<u>277,691</u>	<u>\$ 177,428</u>	<u>82,051</u>	<u>259,479</u>

Substantially all of the University's endowment funds are pooled for investment purposes. Income earned on endowment fund investments is allocated on the basis of each fund's proportionate interest in the pooled investment portfolio. The components of total endowment investment return for the years ended June 30, 2024 and June 30, 2023 are reflected below:

	2024	2023
Net change in investment value	\$ 31,194	\$ 16,515
Investment fees and other	(1,786)	(1,696)
Total endowment investment return	<u>\$ 29,408</u>	<u>\$ 14,819</u>
Endowment investment return included in revenues	16,732	17,202
Endowment investment return included in other changes in net assets	12,676	(2,383)
Total endowment investment return	<u>\$ 29,408</u>	<u>\$ 14,819</u>

WILLAMETTE UNIVERSITY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2024 (with comparative financial information as of June 30, 2023)
(in thousands)

NOTE 7 - CHARITABLE GIFT ANNUITIES AND REMAINDER TRUSTS

Charitable gift annuities and remainder trusts consist of the following at June 30, 2024 and June 30, 2023:

	2024			2023		
	Charitable gift annuities	Remainder trusts	Total	Charitable gift annuities	Remainder trusts	Total
Assets:						
Investments:						
Money market and fixed income	\$ 2,399	3,233	5,632	\$ 2,377	3,484	5,861
Equity and real asset strategies	5,808	8,349	14,157	5,898	8,844	14,742
Beneficial interest in remainder trusts held by others	-	1,809	1,809	-	1,466	1,466
Total assets	<u>\$ 8,207</u>	<u>13,391</u>	<u>21,598</u>	<u>\$ 8,275</u>	<u>13,794</u>	<u>22,069</u>
Liabilities and net assets:						
Annuities and trusts payable	3,887	7,160	11,047	4,197	7,686	11,883
Net assets without donor restrictions	836	-	836	769	-	769
Net assets with donor restrictions	3,484	6,231	9,715	3,309	6,108	9,417
Total liabilities and net assets	<u>\$ 8,207</u>	<u>13,391</u>	<u>21,598</u>	<u>\$ 8,275</u>	<u>13,794</u>	<u>22,069</u>
Gift portion of new annuities and trusts included in contributions	<u>\$ -</u>	<u>25</u>	<u>25</u>	<u>\$ 173</u>	<u>56</u>	<u>229</u>

The University maintains a segregated pool of gift annuity assets to fund beneficiary payments. Charitable gift annuities written for residents of California and Washington are subject to state-mandated reserve requirements, and amounts set aside in these segregated reserve accounts totaled \$2,607 and \$2,779 at June 30, 2024 and 2023, respectively.

NOTE 8 - PLANT FACILITIES, NET

Plant facilities consist of the following at June 30, 2024 and June 30, 2023:

	2024	2023
Land	\$ 8,574	\$ 8,655
Campus improvements	17,511	16,041
Buildings and building improvements	219,835	216,192
Furniture, fixtures and equipment	10,416	10,075
Library holdings	40,879	40,703
Art collection	10,100	9,298
Construction in progress	15,731	10,252
Plant facilities	<u>323,046</u>	<u>311,216</u>
Accumulated depreciation	<u>(150,778)</u>	<u>(144,440)</u>
Plant facilities, net	<u>\$ 172,268</u>	<u>\$ 166,776</u>

The University recorded depreciation expense of \$6,427 and \$6,485, respectively, during the years ended June 30, 2024 and June 30, 2023.

WILLAMETTE UNIVERSITY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2024 (with comparative financial information as of June 30, 2023)
(in thousands)

NOTE 9 - LEASES

The University leases facilities and equipment under noncancelable operating lease agreements expiring through July 2032. As of June 30, 2024, there are no financing leases. Cash payments included in the measurement of lease liabilities for the years ended June 30, 2024 and June 30, 2023 were \$2,699 and \$2,937, the average discount rate was 1.11% and 0.60%, and the average remaining lease term was 2.5 years and 2.7 years, respectively.

Expected future aggregate minimum lease payments are as follows:

<u>Fiscal Years Ending June 30,</u>	<u>Payments</u>
2024-2025	\$ 2,558
2025-2026	2,495
2026-2027	2,178
2027-2028	2,252
2028-2029	215
Thereafter	704
Total expected future aggregate minimum lease payments	<u>10,402</u>
Discount	<u>(425)</u>
Operating lease liabilities	<u><u>\$ 9,977</u></u>

NOTE 10 - PNCA NOTES PAYABLE AND NOTE RECEIVABLE

As part of the agreement to fund and finance the renovation of PNCA's main campus facility in Portland, Oregon, PNCA entered into a series of notes receivable and notes payable under a historic tax credit and state and federal new market tax credits. The seven year compliance periods were completed for the historic and state new market tax credits and related notes were dispositioned prior to the merger, in September 2020 and January 2021, respectively. The seven year compliance period for the federal new market tax credit was completed in December 2021 and related notes were redeemed or dispositioned.

Notes Payable

PNCA Holdings has agreements with NTCIC-PNCA, LLC for two loans which were intended to constitute Federal Qualified Low Income Community Investment (QLICI) loans. PNCA Holdings was required to be and remain a Qualified Active Low-Income Community Business (QALICB) as such terms are defined in Section 45D of the Internal Revenue Code for the entire seven year period of the federal new market tax credit compliance period, which ended in December 2021, at which time these loans were transferred to the University and are eliminated in the consolidated financial statements.

- At June 30, 2024 and June 30, 2023, the outstanding balance of Federal Note A was \$3,712.
- At June 30, 2024 and June 30, 2023, the outstanding balance of Federal Note B was \$1,288.

Note Receivable

The University held a note receivable for \$3,712 from Chase NMTC PNCA Investment Fund, LLC (a subsidiary of JP Morgan Chase Bank). The note was transferred to PNCA Holdings after the federal new market tax credit compliance period ended and is eliminated in the consolidated financial statements.

WILLAMETTE UNIVERSITY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2024 (with comparative financial information as of June 30, 2023)
(in thousands)

NOTE 11 - BONDS PAYABLE

In July 2016 the University issued 2016 Series B bonds in the amount of \$21,255, and proceeds were used to refund Oregon Facilities Authority Series 2014 bonds and to finance a program to upgrade campus residential facilities. 2016 Series B bonds, which are unsecured, have annual principal and interest obligations ranging from \$808 to \$2,748 through October 2045, and bear interest at rates ranging from 3% to 5%. At June 30, 2024 and June 30, 2023 there were outstanding balances of \$21,255.

In May 2021, the University issued \$85,835 of Oregon Facilities Authority Revenue Bonds, secured by future revenues, in two series:

- 2021 Series A tax-exempt bonds in the amount of \$70,610 were issued, and proceeds were used to refund bonds from Oregon Facilities Authority 2010, 2016 Series A, and 2016 Series C bonds, and to finance campus improvements including deferred maintenance projects and facilities for new programs. Proceeds were also placed in trust and two loans assumed with the PNCA merger were paid in December 2021. 2021 Series A bonds have annual principal and interest obligations ranging from \$2,824 to \$9,799 through October 2051, and bear interest at 4%. At June 30, 2024 and June 30, 2023 the outstanding balance was \$70,610.
- 2021 Series B taxable bonds in the amount of \$15,225 were issued, and proceeds were used to create an investment fund for new programs. 2021 Series B bonds have annual principal and interest obligations ranging from \$624 to \$3,370 through October 2041, and bear interest at 4.1%. At June 30, 2024 and June 30, 2023 the outstanding balance was \$15,225.

Principal payments on bonds payable are as follows:

<u>Fiscal Years Ending June 30,</u>	<u>Payments</u>
2024-2025	\$ -
2025-2026	-
2026-2027	-
2027-2028	-
2028-2029	-
Thereafter	107,090
	<u>107,090</u>
Add unamortized bond premium, net of debt issuance costs	7,705
Bonds payable, net	<u><u>\$ 114,795</u></u>

Interest costs on bonds and notes payable for the years ended June 30, 2024 and June 30, 2023 was approximately \$3,559 and \$3,799, respectively, of which \$367 and \$126 was capitalized. Bonds are not subject to ongoing financial reporting covenants.

WILLAMETTE UNIVERSITY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2024 (with comparative financial information as of June 30, 2023)
(in thousands)

NOTE 12 - OTHER POSTRETIREMENT BENEFITS AND RELATED LIABILITY ESTIMATES

Full-time continuing faculty members, administrators, and classified employees with 20 or more years of service are eligible for a voluntary severance arrangement upon reaching age 59. This arrangement includes cash payments until full Social Security retirement age and University-paid health and life insurance until they are eligible for Medicare. Additionally, employees hired before January 1, 1983, who retire from the University, are eligible for reimbursement of the actual cost of Medicare supplemental insurance premiums, up to \$125 per quarter. These benefits are unfunded.

Liability estimates are discounted from estimated future costs at 4.90% as of June 30, 2024 and June 30, 2023. The voluntary severance payment estimate assumes an annual growth rate in compensation of 2.0% as of June 30, 2024 and June 30, 2023. At June 30, 2024, the assumed health care cost trend rate for the following year used to measure the expected cost of benefits covered by the plan was 5.2%. The ultimate cost trend rate as of June 30, 2024 is 3.90% which is expected to be reached in 2075.

Benefit payments by the University relating to the postretirement benefit plans were approximately \$593 and \$617 for the years ended June 30, 2024 and June 30, 2023, respectively. Service cost recognized as benefits expense in various functional categories was approximately \$322 and \$356 for the years ended June 30, 2024 and June 30, 2023, respectively.

Expected future payments of postretirement benefits are as follows:

<u>Fiscal Years Ending June 30,</u>	<u>Payments</u>
2024-2025	\$ 669
2025-2026	539
2026-2027	374
2027-2028	388
2028-2029	429
Thereafter	3,635
Total postretirement benefit obligations	<u>\$ 6,034</u>

The postretirement benefit liability is recorded in *Accounts payable and accrued liabilities* in the Consolidated Statements of Financial Position.

NOTE 13 - NET ASSETS RELEASED FROM RESTRICTION

Net assets are released from donor restrictions by incurring expenses satisfying the restricted purposes, occurrence of events specified by the donors, changes in restrictions specified by the donors, or the passage of time. Net assets released from restriction during the years ended June 30, 2024 and June 30, 2023 are as follows:

	<u>2024</u>	<u>2023</u>
Endowed faculty and staff positions	\$ 3,238	\$ 2,859
Endowed facilities improvements	370	158
Other endowed funds	1,919	1,766
Sponsored research and grants	1,902	2,770
Other restricted funds	3,417	2,942
	<u>10,846</u>	<u>10,495</u>
Funded financial aid	8,610	7,838
Total net assets released from restrictions	<u>\$ 19,456</u>	<u>\$ 18,333</u>

WILLAMETTE UNIVERSITY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2024 (with comparative financial information as of June 30, 2023)
(in thousands)

NOTE 14 - LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The University manages financial assets to be available for general expenditures, liabilities and other obligations as they come due. As of June 30, 2024 and June 30, 2023, financial assets available within one year are as follows:

	2024	2023
Cash and cash equivalents	\$ 7,897	\$ 5,809
Accounts receivable, net	3,534	4,591
Current non-endowed pledges receivable without donor restrictions	626	212
Investments for charitable gift annuities not held in required reserves	5,600	5,496
Investments for funds without donor restrictions functioning as endowment	29,104	39,221
Investments related to current appropriation of earnings for endowed funds	15,446	14,634
Financial assets available to meet cash needs for general expenditure within one year	<u>\$ 62,207</u>	<u>\$ 69,963</u>

Financial assets are considered unavailable when illiquid or not convertible to cash within one year. Other limitations on liquidity include state-mandated annuity reserves, trust assets, perpetual endowment principal and accumulated earnings net of appropriations within one year. Governing board designations for long-term investment, including funds functioning as endowment, are considered available because they may be drawn upon with Board approval.

NOTE 15 - FUNCTIONAL EXPENSES

Expenses are allocated to programs and organized by functional categories that correlate to the educational mission of the University. The table below presents natural categories of expenses and their allocation by functional category. Natural expenses are charged directly to the appropriate program where possible, and expenses attributable to more than one functional expense category are allocated using a variety of cost allocation techniques such as square footage and time and effort.

Year ended June 30, 2024							
	Salaries and wages	Employee fringe benefits	Supplies and services	Plant ops & maintenance	Depreciation	Interest	Total
Instruction	\$ 24,809	7,379	3,222	1,646	2,746	1,334	41,136
Research	967	200	883	-	20	-	2,070
Academic support	9,418	2,750	6,062	759	1,279	121	20,389
Student services	8,963	2,708	4,444	689	681	169	17,654
Institutional support	8,781	2,955	8,319	222	447	972	21,696
Auxiliary enterprises	1,618	413	8,768	1,633	1,254	963	14,649
Total expenses	<u>\$ 54,556</u>	<u>16,405</u>	<u>31,698</u>	<u>4,949</u>	<u>6,427</u>	<u>3,559</u>	<u>\$ 117,594</u>

Year ended June 30, 2023							
	Salaries and wages	Employee fringe benefits	Supplies and services	Plant ops & maintenance	Depreciation	Interest	Total
Instruction	\$ 22,932	6,714	2,729	1,598	2,856	1,584	38,413
Research	752	156	757	-	31	-	1,696
Academic support	9,405	2,725	6,300	712	1,397	139	20,678
Student services	8,633	2,566	4,730	671	798	174	17,572
Institutional support	8,540	2,932	9,296	222	254	893	22,137
Auxiliary enterprises	1,541	385	8,350	1,563	1,149	1,009	13,997
Total expenses	<u>\$ 51,803</u>	<u>15,478</u>	<u>32,162</u>	<u>4,766</u>	<u>6,485</u>	<u>3,799</u>	<u>\$ 114,493</u>

Advancement expenses of \$4,018 and \$3,503, exclusive of expenditures for alumni relations, included in general institutional support expenses, are fundraising expenses for the years ended June 30, 2024 and June 30, 2023, respectively.

WILLAMETTE UNIVERSITY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2024 (with comparative financial information as of June 30, 2023)
(in thousands)

NOTE 16 - RETIREMENT PLAN EXPENSE

The University has established a defined contribution retirement plan which provides retirement benefits to eligible personnel through Fidelity. The University's contributions are based on a percentage of participating employees' salaries and, along with employee contributions, are paid into the plan monthly. Retirement plan expense for the years ended June 30, 2024 and June 30, 2023 was approximately \$4,601 and \$4,379, respectively, and is recognized as employee fringe benefits expense.

NOTE 17 - CONSOLIDATED NET ASSETS

The following is the balance of net assets by consolidated entity as of June 30:

Willamette University	2024	2023
Without donor restrictions	45,242	59,238
With donor restrictions	309,151	290,701
Total net assets	354,393	349,939
Consolidated entities		
Without donor restrictions	25,694	24,857
Total consolidated net assets	<u>\$ 380,087</u>	<u>\$ 374,796</u>

NOTE 18 - COMMITMENTS AND CONTINGENCIES

The University is subject to legal proceedings generally incidental to its business. Although the final outcome of any legal proceeding is subject to many variables and cannot be predicted with any degree of certainty, the University presently believes that the ultimate outcome resulting from these proceedings would not have a material effect on the University's financial position or results of operations.

NOTE 19 - RELATED PARTY TRANSACTIONS

Members of the University's Board of Trustees and senior management may, from time to time, be associated, either directly or indirectly, with companies doing business with the University. For senior management, the University requires annual disclosure of significant financial interests in, or employment or consulting relationships with, entities doing business with the University. These annual disclosures cover both senior management and their immediate family members. When such relationships exist, measures are taken to appropriately manage the actual or perceived conflict in the best interests of the University.

The University has a written conflict of interest policy that requires, among other things, that no member of the Board of Trustees can participate in any decision in which he or she (or an immediate family member) has a material financial interest. When such relationships exist, measures are taken to mitigate any actual or perceived conflict, including requiring that such transactions be conducted at arm's length, for good and sufficient consideration, based on terms that are fair and reasonable to and for the benefit of the University, and in accordance with applicable conflict of interest laws. No such associations are considered to be significant.

NOTE 20 - SUBSEQUENT EVENTS

Subsequent events are events or transactions that occur after the date of the consolidated statements of financial position but before consolidated financial statements are issued. The University recognizes in the consolidated financial statements the effects of all subsequent events that provide additional evidence about conditions that existed at the date of the consolidated statements of financial position, including the estimates inherent in the process of preparing the consolidated financial statements. The University's consolidated financial statements do not recognize subsequent events that provide evidence about conditions that did not exist at the date of the consolidated statements of financial position but arose after the date of the consolidated statements of financial position and before consolidated financial statements are issued.

Subsequent events have been evaluated through October 24, 2024, which corresponds to the date when the financial statements were issued.

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