



# 2022 Financial Report

WITH SUPPLEMENTAL INFORMATION



*Non Nobis  
Solum  
Nati Sumus*

Not Unto  
Ourselves  
Alone  
Are We Born

**WILLAMETTE UNIVERSITY**  
**2022 FINANCIAL REPORT WITH SUPPLEMENTARY INFORMATION**

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June 30, 2022

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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 (the “University”), which comprise the consolidated statements of financial position as of June 30, 2022 and 2021, and the related consolidated statements of activities, functional expenses, and cash flows for the years 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 Willamette University as of June 30, 2022 and 2021, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

#### ***Basis for Opinion***

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards (Government Auditing Standards)*, issued by the Comptroller General of the United States. 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 audits. 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 consolidated 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 for one year after the date that the consolidated financial statements are available to be 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 and *Government Auditing Standards* 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 and *Government Auditing Standards*, 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.

### ***Supplementary Information***

Our audit was conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The schedule of expenditures of federal awards as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and the financial responsibility ratios are presented for purposes of additional analysis and is not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards and financial responsibility ratios are fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated November 2, 2022, on our consideration of Willamette University's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Willamette University's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in Willamette University's internal control over financial reporting and compliance.

*Moss Adams LLP*

Portland, Oregon  
November 2, 2022

**WILLAMETTE UNIVERSITY**  
**CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

June 30, 2022 (with comparative financial information as of June 30, 2021)  
(in thousands)

	2022	2021
<b>ASSETS</b>		
Cash and cash equivalents	\$ 8,342	\$ 22,814
Cash and cash equivalents in bond trust accounts	24,208	37,993
Accounts receivable, net	4,806	2,109
Prepaid expenses and other assets	1,065	4,813
Pledges receivable, net	5,665	5,428
Student loans receivable	2,581	3,319
Investments	322,609	376,697
Beneficial interest in trusts held by others	5,968	6,791
Operating lease right of use assets	13,569	14,456
Plant facilities, net	166,595	165,042
<b>Total assets</b>	<b>\$ 555,408</b>	<b>\$ 639,462</b>
 <b>LIABILITIES AND NET ASSETS</b>		
<b>Liabilities:</b>		
Accounts payable and accrued liabilities	\$ 17,455	\$ 19,192
Deferred revenues	1,918	2,270
Annuities and trusts payable	12,269	14,748
Operating lease right of use liabilities	13,550	14,456
Notes payable	-	11,874
Bonds payable, net	115,459	115,791
Government advances for student loans	3,146	3,974
<b>Total liabilities</b>	<b>163,797</b>	<b>182,305</b>
 <b>Net Assets:</b>		
Without donor restrictions:		
Available for operations	15,781	36,404
Charitable gift annuity funds	553	810
Invested in plant facilities	87,642	91,091
<b>Total net assets without donor restrictions</b>	<b>103,976</b>	<b>128,305</b>
With donor restrictions:		
Unexpended funds received for specific purposes	16,101	13,505
Trust and annuity funds	10,022	11,976
Accumulated undistributed endowment gains	83,938	128,799
Funds with purpose restrictions functioning as endowment	1,206	1,236
Endowment funds restricted in perpetuity	171,887	168,186
Endowment funds held in perpetual trust by others	4,481	5,150
<b>Total net assets with donor restrictions</b>	<b>287,635</b>	<b>328,852</b>
 <b>Total net assets</b>	 <b>391,611</b>	 <b>457,157</b>
 <b>Total liabilities and net assets</b>	 <b>\$ 555,408</b>	 <b>\$ 639,462</b>

**WILLAMETTE UNIVERSITY**  
**CONSOLIDATED STATEMENT OF ACTIVITIES**

For the year ended June 30, 2022 (with summarized comparative financial information for the year ended June 30, 2021)  
(in thousands)

	2022			2021
	Without Donor Restrictions	With Donor Restrictions	Total	Total
<b>Revenues:</b>				
Tuition and fees	\$ 96,215	\$ -	\$ 96,215	\$ 92,797
Less student scholarships	(38,876)	(6,099)	(44,975)	(48,381)
Net tuition and fees	57,339	(6,099)	51,240	44,416
Room and board fees	10,498	-	10,498	8,936
Contributions	2,937	7,775	10,712	10,432
Endowment income distributed	4,130	9,866	13,996	14,193
Auxiliary enterprises	480	-	480	149
Grant revenues	511	7,329	7,840	5,041
Other revenues	3,780	217	3,997	2,091
Net assets released from restrictions	12,932	(12,932)	-	-
<b>Total revenues</b>	<b>92,607</b>	<b>6,156</b>	<b>98,763</b>	<b>85,258</b>
<b>Expenses:</b>				
Salaries and wages	48,970	-	48,970	40,258
Employee fringe benefits	14,616	-	14,616	11,713
Supplies and services	30,728	-	30,728	18,941
Plant operations and maintenance	5,154	-	5,154	3,091
Depreciation	6,526	-	6,526	5,632
Interest	4,135	-	4,135	2,418
<b>Total expenses</b>	<b>110,129</b>	<b>-</b>	<b>110,129</b>	<b>82,053</b>
<b>Change in net assets before other changes</b>	<b>(17,522)</b>	<b>6,156</b>	<b>(11,366)</b>	<b>3,205</b>
<b>Other changes in net assets:</b>				
Endowment returns, net of distributions	(7,635)	(45,513)	(53,148)	63,949
Adjustment related to annuities and trusts	(326)	(2,002)	(2,328)	4,237
Post retirement benefits liability adjustment	(90)	-	(90)	(94)
Gain (loss) on extinguishment of debt	1,391	-	1,391	(143)
Inherent contribution - Pacific Northwest	-	-	-	-
College of Art	-	-	-	41,053
Adjustments to restricted pledges	-	(5)	(5)	-
Other	(147)	147	-	-
<b>Change in net assets</b>	<b>(24,329)</b>	<b>(41,217)</b>	<b>(65,546)</b>	<b>112,207</b>
Net assets at beginning of year	128,305	328,852	457,157	344,950
Net assets at end of year	<u>\$ 103,976</u>	<u>\$ 287,635</u>	<u>\$ 391,611</u>	<u>\$ 457,157</u>

**WILLAMETTE UNIVERSITY**  
**CONSOLIDATED STATEMENT OF CASH FLOWS**

For the year ended June 30, 2022 (with comparative financial information for the year ended June 30, 2021)  
(in thousands)

	2022	2021
<b>Cash flows from operating activities:</b>		
Cash received from tuition, fees, room and board	\$ 59,427	\$ 54,913
Cash received from contributions and grants	14,154	7,395
Cash investment returns	(287)	732
Miscellaneous receipts	6,418	789
Payments for employees and benefits	(65,647)	(51,382)
Payments to vendors	(34,023)	(22,826)
Cash paid for interest on bonds, net of amounts capitalized	(4,114)	(2,455)
<b>Net change in cash from operating activities</b>	<b>(24,072)</b>	<b>(12,834)</b>
<b>Cash flows from investing activities:</b>		
Cash received from inherent contribution - Pacific Northwest College of Art (PNCA)	-	4,990
Purchases of investments	(19,111)	(32,162)
Proceeds from maturities/sales of investments	31,439	26,738
Purchases of plant facilities	(7,645)	(1,903)
<b>Net change in cash from investing activities</b>	<b>4,683</b>	<b>(2,337)</b>
<b>Cash flows from financing activities:</b>		
Cash contributions restricted for:		
Investment in endowment	3,601	3,780
Investment in plant facilities	3	391
Investment subject to annuity and trust agreements	229	799
Proceeds from issuance of bonds at stated value	-	85,835
Premium on bonds issued	-	9,256
Bonds paid or defeased with proceeds from new bonds	-	(40,915)
Payments for bond issuance costs	-	(1,530)
Principal payments on notes payable	(11,874)	-
Principal payments on bonds payable	-	(1,495)
Change in government advances for student loans	(827)	(1,002)
<b>Net change in cash from financing activities</b>	<b>(8,868)</b>	<b>55,119</b>
<b>Net change in cash and cash equivalents</b>	<b>(28,257)</b>	<b>39,948</b>
Total beginning cash and cash equivalents and restricted cash and cash equivalents	60,807	20,859
Total ending cash and cash equivalents and restricted cash and cash equivalents	<b>\$ 32,550</b>	<b>\$ 60,807</b>
<b>Reconciliation of cash and cash equivalents and restricted cash and cash equivalents to statement of financial position:</b>		
Cash and cash equivalents	\$ 8,342	\$ 22,814
Cash and cash equivalents in bond trust accounts	24,208	37,993
Total ending cash and cash equivalents and restricted cash and cash equivalents	<b>\$ 32,550</b>	<b>\$ 60,807</b>
<b>Supplemental disclosure of noncash investing and financing activities</b>		
Receipt of investments from merger with PNCA	\$ -	\$ 9,027
Receipt of beneficial interest in trusts held by others from merger with PNCA	-	3,016
Receipt of right of use assets with operating lease liabilities from merger with PNCA	-	14,456
Receipt of plant facilities from merger with PNCA	-	33,581
Assumption of notes payable from merger with PNCA	-	11,874

# WILLAMETTE UNIVERSITY

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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June 30, 2022 (with comparative financial information as of June 30, 2021)  
(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.

#### *Pacific Northwest College of Art Merger*

On June 30, 2021 the Pacific Northwest College of Art (PNCA) in Portland, Oregon, merged into the University, with the University as the surviving entity. The merger supports the University's vision of growth by adding complementary schools and programs within the university structure and pursuing collaborative and cross-disciplinary opportunities. PCNA is now the University's fourth college, alongside the College of Arts and Sciences, the College of Law, and the Atkinson Graduate School of Management. PNCA will become an integrated part of the University, retaining its name, identity, faculty, and campus in Portland while supporting services of both organizations have been combined to realize efficiencies.

No consideration was transferred as a result of this merger, and the University recorded an inherent contribution of \$41,053. In accordance with Accounting Standards Codification (ASC) 958-805, Not-for-Profit Mergers and Acquisitions, the combination was accounted for on the acquisition basis of accounting for the fiscal period ended June 30, 2021, in which the assets and liabilities were recorded on the University's consolidated statement of financial position at fair value. The merger took place at the end of the last day of the fiscal period, and PNCA activities are accordingly not reflected on the statement of activities for the fiscal period ended June 30, 2021 but are reflected in the statement of activities for the year ended June 30, 2022.

The following table summarizes the fair value of the merged assets and liabilities at June 30, 2021:

Cash and cash equivalents	\$ 4,230
Cash and cash equivalents held in trust	760
Accounts receivable and other assets	4,036
Investments	9,027
Beneficial interest in trusts held by others	3,016
Operating lease right of use assets	14,456
Plant facilities	33,581
Less: Accounts payable, accrued liabilities and deferred revenue	(1,723)
Less: Operating lease liabilities	(14,456)
Less: Notes payable	(11,874)
Inherent contribution	<u>\$ 41,053</u>

#### *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 part of the 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 PNCA Holdings, LLC and 1% of PNCA Master Tenant, LLC.

*PNCA Holdings, LLC* (PNCA Holdings) was part of the 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.

# WILLAMETTE UNIVERSITY

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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June 30, 2022 (with comparative financial information as of June 30, 2021)  
(in thousands)

### NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: *Continued*

*PNCA Master Tenant, LLC* (PNCA Master Tenant) was part of the 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) was formed to hold endowment assets for the University. The University has engaged an outsource chief investment office (OCIO) that serves as general partner, and the University is the sole limited 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.

#### *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 the University 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. Unrelated business income is insignificant, and therefore, no tax provision has been made. The University accounts for income taxes in accordance with ASC 740-10, *Income Taxes - Overall*, which clarifies the accounting for uncertainty in income taxes recognized in an enterprise's consolidated financial statements and prescribes a threshold of more-likely-than-not for recognition of tax benefits of uncertain tax positions taken or expected to be taken in a tax return. The University does not have any uncertain tax positions.

#### *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.

*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 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 statement 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 statement of activities includes comparative summarized information for the year ended June 30, 2021. 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, 2021, from which the summarized information was derived.

# WILLAMETTE UNIVERSITY

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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June 30, 2022 (with comparative financial information as of June 30, 2021)  
(in thousands)

### **NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: *Continued***

#### ***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 statement of financial position.

#### ***Room and board fees***

Room and board fees are recognized pro-rata as performance obligations associated with the delivery of room and board services are provided. The University's receivables represent unconditional rights to consideration from its contracts with students; accordingly, receivables are recorded once students have moved into student housing. As with tuition and fees revenue, the University provides for a full or partial refund of room and board fees if a student withdraws and checks out of housing during stated refund periods. If a student checks out of housing at a time when only a portion, or none of the room and board is refundable, then, in accordance with its revenue recognition policy, the University continues to recognize room and board that was not refunded pro-rata over the applicable housing period.

#### ***Contributions and pledges receivable***

Contributions, including unconditional promises to give, are recognized as revenues in the period in which they are received. Unconditional promises are recognized at the estimated present value of future cash flows, discounted at a risk adjusted rate. Conditional promises to give are recognized when the conditions are met. Amortization of the discount is recorded as additional contribution revenue. An allowance for uncollectible contributions receivable is provided based upon management's judgment, including such factors as prior giving history, type of contribution, collection risk, and nature of fund raising activity. Contributions of assets other than cash are recorded at their estimated fair value. Contributions for capitalized long lived assets are released from restriction when the assets are placed into service.

#### ***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, 2022, the amount for which grants were awarded but conditions required for recognition not yet met, typically when qualified expenditures are incurred, was \$2,219.

#### ***Auxiliary enterprises and other revenues***

Other sources of revenue are recognized in the fiscal year 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. 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 for each account ownership category.

#### ***Accounts receivable, net***

Accounts receivable consist primarily of student accounts receivable and are carried at their outstanding amount. The allowance estimates are based on past collection experience and an aging analysis of the outstanding balances. Account balances are charged off against the allowance after all means of collection have been exhausted and potential recovery is considered remote.

# WILLAMETTE UNIVERSITY

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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June 30, 2022 (with comparative financial information as of June 30, 2021)  
(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 statement 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.

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.

# WILLAMETTE UNIVERSITY

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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June 30, 2022 (with comparative financial information as of June 30, 2021)  
(in thousands)

### NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES: *Continued*

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 the provisions of ASC 842, *Leases*, which requires recognition of a right of use asset and lease liability for all leases longer than 12 months, including operating leases. The lease liability represents the university's obligation to make lease payments measured on a discounted basis, and the right of use asset represents the university's right to use or control use of a specified asset for the term of the lease. The University uses the risk-free rate at lease inception to determine the present value of lease payments. Variable lease payments are accounted for as period expenses unless the changes are based on an index or the liability is remeasured.

#### ***Bond Issuance Costs***

Bond issuance costs are classified as a component of bonds payable in the statement 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***

The University adopted ASU 2020-07, *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets* in the current fiscal year. This guidance was issued to provide a clearer understanding of the type of nonfinancial assets received and how they are used and recognized in the financial statements. The adoption of the standard did not have a significant impact on the consolidated financial statements.

#### ***Reclassifications***

Certain amounts from the prior year have been reclassified to conform to current year presentation.

**WILLAMETTE UNIVERSITY**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

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June 30, 2022 (with comparative financial information as of June 30, 2021)  
(in thousands)

**NOTE 2 - ACCOUNTS RECEIVABLE**

At June 30, 2022 and June 30, 2021 accounts receivable are as follows:

	<u>2022</u>	<u>2021</u>
Student accounts	\$ 909	\$ 2,369
Student accounts due from a third party sponsor	22	601
Student accounts in collections	2,356	887
Federal student loans pending drawdown	2,216	356
Other receivables	1,811	469
	<u>7,314</u>	<u>4,682</u>
Less: allowance for doubtful accounts	(2,508)	(2,573)
Accounts receivable, net	<u>\$ 4,806</u>	<u>\$ 2,109</u>

**NOTE 3 – PLEDGES RECEIVABLE**

The University records pledges receivable at the present value of estimated future cash flows using discount rates ranging from 0.22% to 2.97% for pledges receivable outstanding at June 30, 2022 and June 30, 2021. Annual payments are scheduled to be received as follows:

	<u>2022</u>	<u>2021</u>
Less than one year	\$ 1,747	\$ 2,020
One to five years	4,178	3,322
More than five years	2	236
	<u>5,927</u>	<u>5,578</u>
Less:		
Discount	(152)	(45)
Reserve for uncollectible accounts	(110)	(105)
Pledges receivable, net	<u>\$ 5,665</u>	<u>\$ 5,428</u>

# WILLAMETTE UNIVERSITY

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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June 30, 2022 (with comparative financial information as of June 30, 2021)  
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### NOTE 4 - STUDENT LOANS RECEIVABLE

The University's student loans receivable consists primarily of a revolving loan fund for Federal Perkins Loans for which the University acts as an agent for the federal government. These loans are recorded based on the outstanding principal balance, less an allowance for estimated losses. Perkins loans receivable, net, were \$2,573 and \$3,301 as of June 30, 2022 and June 30, 2021.

Funds held in the Federal Perkins Loan programs of \$3,146 and \$3,974 are ultimately refundable to the government and are classified as a liability in the statement of financial position as of June 30, 2022 and June 30, 2021.

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 \$479 and \$516 as of June 30, 2022 and June 30, 2021.

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, 2022 and June 30, 2021 are as follows:

	2022	2021
Multi-strategy limited partnership investment fund	\$ 268,216	\$ 315,616
Balanced stock/fixed income limited partnership investment fund	31,741	22,233
Money market funds	196	11,550
Fixed income securities	2,371	2,836
Equity and real asset funds	7,072	8,657
Other investments	13,013	15,805
Total investments	\$ 322,609	\$ 376,697

**(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 outsource chief investment office (OCIO), and most of its endowment assets are invested in a single multi-strategy limited partnership investment fund (the "Fund") whose investment strategy focuses on varied traditional and nontraditional investment opportunities to provide a diversified single portfolio for investors. The Fund invests primarily in investment vehicles such as hedge funds and private equity funds, or pooled accounts managed by unaffiliated third parties. The Fund may also invest directly in securities, exchange traded funds, derivative contracts, 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.

# WILLAMETTE UNIVERSITY

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2022 (with comparative financial information as of June 30, 2021)  
(in thousands)

### NOTE 5 - INVESTMENTS *Continued*

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.

The following table summarizes the percentage asset allocation in the University's multi-strategy limited partnership investment fund as of June 30, 2022 and June 30, 2021:

	2022	2021
Public equity managers and listed investments	18%	31%
Alternative investment vehicles and other real assets	73%	56%
Fixed income, cash and cash equivalents, and other	9%	13%
	100%	100%

The University's investments and other assets by major category in the fair value hierarchy as of June 30, 2022 and June 30, 2021 are as follows:

	Total	Level 1	Level 2	Level 3
	2022			
Beneficial interest in trusts held by others (a)	\$ 5,968	\$ -	\$ -	\$ 5,968
Investments in the fair value hierarchy:				
Money market funds	196	196	-	-
Fixed income securities	2,371	2,371	-	-
Stocks, equity and real asset funds	7,072	6,233	-	839
Other: charitable remainder trusts (b)	13,013	13,013	-	-
Total	22,652	21,813	-	839
Investments measured at net asset value:				
Multi-strategy limited partnership (LP) investment fund (c)	268,216			
Balanced stock/fixed income LP investment fund (d)	31,741			
Total investments	322,609	21,813	-	839
Total assets	\$ 328,577	21,813	-	6,807
	2021			
Beneficial interest in trusts held by others (a)	\$ 6,791	\$ -	\$ -	\$ 6,791
Investments in the fair value hierarchy:				
Money market funds	11,550	11,550	-	-
Fixed income securities	2,836	2,836	-	-
Stocks, equity and real asset funds	8,657	7,882	-	775
Other: charitable remainder trusts (b)	15,805	15,805	-	-
Total	38,848	38,073	-	775
Investments measured at net asset value:				
Multi-strategy limited partnership (LP) investment fund (c)	315,616			
Balanced stock/fixed income LP investment fund (d)	22,233			
Total investments	376,697	38,073	-	775
Total assets	\$ 383,488	\$ 38,073	\$ -	\$ 7,566

# WILLAMETTE UNIVERSITY

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2022 (with comparative financial information as of June 30, 2021)  
(in thousands)

### NOTE 5 - INVESTMENTS *Continued*

- (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) The University serves as trustee for certain charitable remainder trusts, controlling the investment of assets which are primarily held in Level 1 stocks, equity, and real asset funds.
- (c) See Endowment Investment Strategy.
- (d) The University's interest in the balanced stock/fixed income LP investment fund is fully redeemable monthly at net asset value, requiring a written redemption request at least 6 days prior to the monthly redemption date. This fund is also managed by the University's OCIO.

The liquidity profile for the multi-strategy limited partnership investment fund is actively managed to maintain sufficient liquidity for limited partners. At June 30, 2022, 35% and 45% of the fund was convertible to cash within one year and three years, respectively.

Investment liquidity as of June 30, 2022 is aggregated below based on expected redemption or sale period:

	<u>Investments fair values</u>
Daily	\$ 8,800
Monthly	31,741
Biannually	268,216
Illiquid	13,852
	<u>\$ 322,609</u>

Activities for investments classified in Level 3 are as follows for the years ended June 30, 2022 and June 30, 2021:

	2022			2021		
	Beneficial interest-trusts held by others	Stock and equity funds	Total	Beneficial interest-trusts held by others	Stock and equity funds	Total
Beginning balances	\$ 6,791	775	7,566	\$ 3,166	705	3,871
Net realized and unrealized gains (losses)	(823)	(11)	(834)	609	(5)	604
Additions	-	75	75	3,016	75	3,091
Proceeds	-	-	-	-	-	-
Transfers between levels	-	-	-	-	-	-
Ending balances	<u>\$ 5,968</u>	<u>839</u>	<u>6,807</u>	<u>\$ 6,791</u>	<u>775</u>	<u>7,566</u>

### NOTE 6 - ENDOWMENT AND FUNDS FUNCTIONING AS ENDOWMENT

As of June 30, 2022, the University's endowment consists of 698 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.

**WILLAMETTE UNIVERSITY**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

June 30, 2022 (with comparative financial information as of June 30, 2021)  
(in thousands)

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

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.

***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, 2022 and June 30, 2021:

	2022			2021		
	Without donor restrictions	With donor restrictions	Total	Without donor restrictions	With donor restrictions	Total
Funds functioning as endowment	\$ 45,017	1,206	46,223	\$ 51,633	1,236	52,869
Accumulated endowment gains	-	83,938	83,938	-	128,799	128,799
Funds restricted in perpetuity	-	171,887	171,887	-	168,186	168,186
Funds held in perpetual trust by others	-	4,481	4,481	-	5,150	5,150
Total endowment net assets	<u>45,017</u>	<u>261,512</u>	<u>306,529</u>	<u>51,633</u>	<u>303,371</u>	<u>355,004</u>
Less perpetual trusts held by others	-	(4,481)	(4,481)	-	(5,150)	(5,150)
Less endowment pledges receivable	(80)	(2,125)	(2,205)	-	(3,394)	(3,394)
Add custodial funds invested	407	-	407	480	-	480
Pooled endowment investment funds	<u>\$ 45,344</u>	<u>254,906</u>	<u>300,250</u>	<u>\$ 52,113</u>	<u>294,827</u>	<u>346,940</u>

Changes in endowment net assets for the years ended June 30, 2022 and June 30, 2021 are as follows:

	2022			2021		
	Without donor restrictions	With donor restrictions	Total	Without donor restrictions	With donor restrictions	Total
Beginning endowment net assets	\$ 51,633	303,371	355,004	\$ 28,813	229,299	258,112
Net investment returns	(5,971)	(33,181)	(39,152)	9,014	69,128	78,142
Contributions	100	3,606	3,706	-	3,780	3,780
Bequests deposited to quasi	758	26	784	77	626	703
Appropriation for expenditure	(1,664)	(12,332)	(13,996)	(1,800)	(12,393)	(14,193)
Other changes:						
Inherent contribution PNCA	-	-	-	-	12,235	12,235
Annuity and trust maturities	-	-	-	-	1,263	1,263
Board directed quasi transfer	56	-	56	15,000	-	15,000
Other quasi transfers	-	(8)	(8)	-	-	-
Adjustments to restricted pledges	-	(5)	(5)	-	-	-
Release purpose-restricted quasi	65	(65)	-	496	(496)	-
Other	40	100	140	33	(71)	(38)
Ending endowment net assets	<u>\$ 45,017</u>	<u>261,512</u>	<u>306,529</u>	<u>\$ 51,633</u>	<u>303,371</u>	<u>355,004</u>

**WILLAMETTE UNIVERSITY**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

June 30, 2022 (with comparative financial information as of June 30, 2021)  
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**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, a special appropriation was applied to funds generating revenue without donor restrictions and budget-relieving revenue for the years ended June 30, 2022 and June 30, 2021. The average rate applied to funds in the spending formula was 5.39% and 5.85%, respectively, for the years ended June 30, 2022 and June 30, 2021. 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 4.03% and 5.75%, respectively, for the years ended June 30, 2022 and June 30, 2021.

***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 \$3,308 and \$36 as of June 30, 2022 and June 30, 2021, 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, 2022 and June 30, 2021:

	2022			2021		
	Original gift	Cumulative gains/(losses)	Market Value	Original gift	Cumulative gains/(losses)	Market Value
Underwater funds restricted in perpetuity	\$ 38,605	(3,308)	35,297	\$ 2,488	(36)	2,452
Other funds restricted in perpetuity	131,157	87,246	218,403	162,304	128,835	291,139
Funds with purpose restrictions functioning as endowment	1,206	-	1,206	1,236	-	1,236
Total donor-restricted endowment pool	<u>\$ 170,968</u>	<u>83,938</u>	<u>254,906</u>	<u>\$ 166,028</u>	<u>128,799</u>	<u>294,827</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, 2022 and June 30, 2021 are reflected below:

	2022	2021
Net change in investment value	\$ (37,445)	\$ 79,561
Investment fees and other	(1,707)	(1,419)
Total endowment investments return	<u>\$ (39,152)</u>	<u>\$ 78,142</u>
Endowment investments return included in revenues	13,996	14,193
Endowment investments return included in other changes in net assets	(53,148)	63,949
Total endowment investments return	<u>\$ (39,152)</u>	<u>\$ 78,142</u>

**WILLAMETTE UNIVERSITY**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

June 30, 2022 (with comparative financial information as of June 30, 2021)  
(in thousands)

**NOTE 7 - CHARITABLE GIFT ANNUITIES AND REMAINDER TRUSTS**

Charitable gift annuities and remainder trusts consist of the following at June 30, 2022 and June 30, 2021:

	2022			2021		
	Charitable gift annuities	Remainder trusts	Total	Charitable gift annuities	Remainder trusts	Total
Assets:						
Investments:						
Money market and fixed income	\$ 2,478	-	2,478	\$ 2,932	-	2,932
Equity and real asset strategies	5,867	-	5,867	7,156	-	7,156
Charitable remainder trusts	-	13,013	13,013	-	15,805	15,805
Beneficial interest in remainder trusts held by others	-	1,486	1,486	-	1,641	1,641
Total assets	<u>\$ 8,345</u>	<u>14,499</u>	<u>22,844</u>	<u>\$ 10,088</u>	<u>17,446</u>	<u>27,534</u>
Liabilities and net assets:						
Annuities and trusts payable	4,384	7,885	12,269	4,823	9,925	14,748
Net assets without donor restrictions	553	-	553	810	-	810
Net assets with donor restrictions	3,408	6,614	10,022	4,455	7,521	11,976
Total liabilities and net assets	<u>\$ 8,345</u>	<u>14,499</u>	<u>22,844</u>	<u>\$ 10,088</u>	<u>17,446</u>	<u>27,534</u>
Gift portion of new annuities and trusts included in contributions	<u>\$ 173</u>	<u>56</u>	<u>229</u>	<u>\$ 586</u>	<u>60</u>	<u>646</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 \$2,689 and \$3,297 at June 30, 2022 and 2021, respectively.

**NOTE 8 - PLANT FACILITIES, NET**

Plant facilities consist of the following at June 30, 2022 and June 30, 2021:

	2022	2021
Land	\$ 8,655	\$ 8,660
Campus improvements	15,923	15,923
Buildings and building improvements	215,364	212,909
Furniture, fixtures and equipment	9,756	9,152
Library holdings	40,571	40,363
Art collection	8,931	8,543
Construction in progress	5,350	921
Plant facilities	<u>304,550</u>	<u>296,471</u>
Accumulated depreciation	(137,955)	(131,429)
Plant facilities, net	<u>\$ 166,595</u>	<u>\$ 165,042</u>

The University recorded depreciation expense of \$6,526 and \$5,632, respectively, during the years ended June 30, 2022 and June 30, 2021.

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**NOTE 9 - LEASES**

The University leases facilities and equipment under noncancelable operating lease agreements expiring through May 2030 as of June 30, 2022. At this time there are no financing leases. Total lease expense for the years ended June 30, 2022 and June 30, 2021 was \$3,357 and \$651, respectively.

Expected future aggregate minimum lease payments are as follows:

<u>Fiscal Years Ending June 30,</u>	<u>Payments</u>
2022-2023	\$ 2,482
2023-2024	2,546
2024-2025	2,576
2025-2026	2,546
2026-2027	2,012
Thereafter	2,043
Total expected future aggregate minimum lease payments	<u>14,205</u>
Discount	(655)
Operating lease liabilities	<u>\$ 13,550</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**

The University assumed a note payable to Prosper Portland (formerly Portland Development Commission) with the PNCA merger. The outstanding balance at June 30, 2021 was 3,375. The note was fully repaid in December 2021 after the federal new market tax credit compliance period ended.

PNCA Holdings had a note payable to Prosper Portland. The outstanding balance at June 30, 2021 was 3,499. The note was fully repaid in December 2021 after the federal new market tax credit compliance period ended.

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, 2021 the outstanding balance of Federal Note A was \$3,712.
- At June 30, 2021 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**

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**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 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, 2022 and June 30, 2021 there were outstanding balances of \$21,255.

In May 2021, the University issued \$85,835 of Oregon Facilities Authority Revenue Bonds 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, 2022 and June 30, 2021 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, 2022 and June 30, 2021 the outstanding balance was \$15,225.

Principal payments on bonds payable are as follows:

<u>Fiscal Years Ending June 30,</u>	<u>Payments</u>
2022-2023	\$ -
2023-2024	-
2024-2025	-
2025-2026	-
2026-2027	-
Thereafter	107,090
	<u>107,090</u>
Add unamortized bond premium, net of debt issuance costs	8,369
Bonds payable, net	<u><u>\$ 115,459</u></u>

Interest costs on bonds and notes payable for the years ended June 30, 2022 and June 30, 2021 was approximately \$4,135 and \$2,418, respectively, of which \$117 and \$0 was capitalized. Bonds are not subject to ongoing financial reporting covenants.

# WILLAMETTE UNIVERSITY

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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June 30, 2022 (with comparative financial information as of June 30, 2021)  
(in thousands)

### NOTE 12 - OTHER POSTRETIREMENT BENEFITS AND RELATED LIABILITY ESTIMATES

Full time continuing faculty members, administrators, and classified employees with 20 years or more of service are eligible for a voluntary severance arrangement upon reaching age 59 that provides cash payments until full Social Security retirement age, and University paid health and life insurance until the individual is eligible for Medicare coverage. In addition, all employees retiring from the University who were hired before January 1, 1983 are eligible for reimbursement of the actual cost of premiums for Medicare supplemental insurance up to \$125 per quarter.

Liability estimates are discounted from estimated future costs at 2.85% as of June 30, 2022 and June 30, 2021. The voluntary severance payment estimate assumes an annual growth rate in compensation of 2.0% as of June 30, 2022 and June 30, 2021. At June 30, 2022, the assumed health care cost trend rate for the following year used to measure the expected cost of benefits covered by the plan was 2.0%. The rate was assumed to increase to 5.0% the following year, followed by rates of 4.5% thereafter.

Benefit payments by the University relating to the postretirement benefit plans were approximately \$514 and \$598 for the years ended June 30, 2022 and June 30, 2021, respectively. Service cost recognized as benefits expense in various functional categories was approximately \$365 and \$376 for the years ended June 30, 2022 and June 30, 2021, respectively.

Expected future payments of postretirement benefits are as follows:

<u>Fiscal Years Ending June 30,</u>	<u>Payments</u>
2022-2023	\$ 537
2023-2024	503
2024-2025	506
2025-2026	425
2026-2027	450
Thereafter	4,358
Total postretirement benefit obligations	<u><u>\$ 6,779</u></u>

The postretirement benefit liability is recorded in *Accounts payable and accrued liabilities* in the Statement 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, 2022 and June 30, 2021 are as follows:

	<u>2022</u>	<u>2021</u>
Endowed faculty and staff positions	\$ 2,320	\$ 2,636
Endowed facilities improvements	148	183
Other endowed funds	1,704	799
Sponsored research and grants	6,256	4,810
Other restricted funds	2,504	2,482
	<u>12,932</u>	<u>10,910</u>
Funded financial aid	6,099	6,809
Total net assets released from restrictions	<u><u>\$ 19,031</u></u>	<u><u>\$ 17,719</u></u>

**WILLAMETTE UNIVERSITY**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

June 30, 2022 (with comparative financial information as of June 30, 2021)  
(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, 2022 and June 30, 2021, financial assets available within one year are as follows:

	<u>2022</u>	<u>2021</u>
Cash and cash equivalents	\$ 8,342	\$ 22,814
Accounts receivable, net	4,806	2,109
Current non-endowed pledges receivable without donor restrictions	117	48
Investments for charitable gift annuities not held in required reserves	5,655	6,791
Investments for funds without donor restrictions functioning as endowment	45,017	51,633
Investments related to current appropriation of earnings for endowed funds	14,531	12,332
Financial assets available to meet cash needs for general expenditure within one year	<u>\$ 78,468</u>	<u>\$ 95,727</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.

	<u>Year ended June 30, 2022</u>						
	<u>Salaries and wages</u>	<u>Employee fringe benefits</u>	<u>Supplies and services</u>	<u>Plant ops and maint</u>	<u>Depreciation</u>	<u>Interest</u>	<u>Total</u>
Instruction	\$ 22,285	7,210	2,858	1,678	2,844	1,813	38,688
Research	606	121	671	-	46	-	1,444
Academic support	8,962	2,900	6,120	628	1,468	282	20,360
Student services	7,476	2,442	6,848	764	775	192	18,497
Institutional support	8,311	1,550	7,032	232	245	826	18,196
Auxiliary enterprises	1,330	393	7,199	1,852	1,148	1,022	12,944
Total expenses	<u>\$ 48,970</u>	<u>14,616</u>	<u>30,728</u>	<u>5,154</u>	<u>6,526</u>	<u>4,135</u>	<u>\$ 110,129</u>

	<u>Year ended June 30, 2021</u>						
	<u>Salaries and wages</u>	<u>Employee fringe benefits</u>	<u>Supplies and services</u>	<u>Plant ops and maint</u>	<u>Depreciation</u>	<u>Interest</u>	<u>Total</u>
Instruction	\$ 19,115	5,619	1,429	972	1,859	942	29,936
Research	576	101	511	-	122	-	1,310
Academic support	7,191	2,089	3,646	430	1,533	110	14,999
Student services	5,555	1,590	2,374	405	770	198	10,892
Institutional support	6,643	1,969	6,000	146	219	87	15,064
Auxiliary enterprises	1,178	345	4,981	1,138	1,129	1,081	9,852
Total expenses	<u>\$ 40,258</u>	<u>11,713</u>	<u>18,941</u>	<u>3,091</u>	<u>5,632</u>	<u>2,418</u>	<u>\$ 82,053</u>

Advancement expenses of \$4,099 and \$3,701, exclusive of expenditures for alumni relations, included in general institutional support expenses, are fundraising expenses for the years ended June 30, 2022 and June 30, 2021, respectively.

# WILLAMETTE UNIVERSITY

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

---

June 30, 2022 (with comparative financial information as of June 30, 2021)  
(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, 2022 and June 30, 2021 was approximately \$4,032 and \$2,604, respectively, and is recognized as benefits expense in various functional categories.

### **NOTE 17 - 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 18 - CLAREMONT SCHOOL OF THEOLOGY**

The University signed an affiliation agreement in May 2019 with Claremont School of Theology (CST), currently located in Claremont, CA. The affiliation agreement has an initial term of three years, which expired in May 2022 and was not renewed.

### **NOTE 19 - RISKS AND UNCERTAINTIES: GLOBAL PANDEMIC**

In March 2020, the World Health Organization declared the novel coronavirus (COVID-19) a global pandemic. The related adverse public health developments, including orders to shelter-in-place, travel restrictions and mandated business closures, have adversely affected workforces, organizations, their customers, economies, and financial markets globally, leading to increased market volatility and disruptions in normal business operations, including the University's operations.

On March 27, 2020, the Coronavirus Aid, Relief, and Economic Securities ("CARES") Act was signed into law. The CARES Act allocated \$14 billion to higher education through the creation of the Higher Education Emergency Relief Fund (HEERF). HEERF funds consist primarily of a formulaic allocation to institutions, divided equally into a student portion and an institutional portion. The student portion must be used for emergency grants to students to cover their expenses resulting from the disruption of campus operations due to COVID-19. The Institutional portion may be used for additional student grants, costs associated with significant changes to the delivery of instruction due to COVID-19, to offset lost income, and other approved expenditures.

The University has been granted a total of \$7,760 in HEERF funds with \$3,401 earmarked to be granted directly to students, and the remainder available to the University for use in accordance with the grant provisions. As of June 30, 2022 \$3,368 of the student funding had been provided to students, with the balance to be distributed to students in fiscal year 2023. As of June 30, 2022 \$3,831 of the institutional funding has been expended, with the remainder expected to be expended during fiscal year 2023. In addition, PNCA had remaining HEERF funds totaling \$435 as of June 30, 2022 with \$12 earmarked to be granted directly to students, and the remainder available to the University for use in accordance with the grant provisions.

Administration has been closely monitoring the impact of COVID-19 on the University's operations, including the impact on the students and employees. The duration and intensity of the pandemic is uncertain but may influence student enrollment and housing decisions, donor decisions, investment performance, and may also negatively impact collections of University receivables.

# WILLAMETTE UNIVERSITY

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

---

June 30, 2022 (with comparative financial information as of June 30, 2021)  
(in thousands)

### **NOTE 20 - SUBSEQUENT EVENTS**

Subsequent events are events or transactions that occur after the date of the consolidated statement 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 statement 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 statement of financial position but arose after the date of the consolidated statement of financial position and before consolidated financial statements are issued.

Subsequent events have been evaluated through November 2, 2022, which corresponds to the date when the financial statements were issued.

## **Supplementary Information**

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**Willamette University**  
**Financial Responsibility Ratios**  
**Year Ended June 30, 2022**  
(in thousands)

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Section 498(c)(1) of the Higher Education Act authorizes the secretary of the Department of Education (“ED”) to establish ratios and other criteria for determining whether an institution has sufficient financial responsibility. Section 668.172 established a methodology based on three ratios – primary reserve, equity, and net income – that measure different aspects of financial health and are combined into a composite score to measure financial responsibility. Several mathematical steps are required to combine an institution’s ratio results into a composite score:

- Determine the value of each ratio;
- Calculate a strength factor score for each ratio using the appropriate algorithm;
- Calculate a weighted score for each ratio by multiplying the strength factor score by its corresponding weighted percentage; and
- Add the weighted scores to arrive at the composite score.

Institutions receiving a composite score of 1.5 or greater are considered financially responsible. An institution that fails the financial responsibility standards may continue to participate in Title IV programs under provisional certifications for three years. To continue to participate in Title IV programs under provisional certification, an institution will be required to provide surety to the ED of 10 percent or more of its previous year’s Title IV funding, as determined by ED.

**Willamette University**  
**Financial Responsibility Ratios**  
**Year Ended June 30, 2022**  
(in thousands)

The following calculation is the University's composite score as of June 30, 2022:

Primary Reserve Ratio Calculation	Reference	As of and for the Year Ended June 30, 2022	
Net assets with donor restrictions	SOFP	+	\$ 287,635
Net assets without donor restrictions	SOFP	+	<u>103,976</u>
<b>Total net assets</b>	SOFP		391,611
Less:			
Net assets held in perpetuity - restricted endowment funds	SOFP	-	(171,887)
Net assets held in perpetuity - endowment funds held in perpetual trust by others	SOFP	-	(4,481)
Net assets with purpose restrictions functioning as endowment	SOFP	-	(1,206)
Annuities with donor restrictions	Note 7	-	(3,408)
Term endowments with donor restrictions	SOFP	-	-
Income life funds with donor restrictions	Note 7	-	(6,614)
Property, plant, and equipment - pre-implementation	NFRR	-	(123,406)
Property, plant, and equipment - post-implementation with outstanding debt for original purchase	NFRR	-	(30,993)
Property, plant, and equipment - post-implementation without outstanding debt for original purchase	NFRR	-	(6,846)
Construction in process	NFRR	-	(5,350)
Lease right-of-use asset, net	SOFP	-	(13,569)
Unsecured other related-party assets	N/A	-	-
Secured and unsecured related party receivables	N/A	-	-
Unsecured related-party receivables	N/A	-	-
Add:			
Lease right-of-use asset pre-implementation	N/A	+	-
Lease right-of-use asset post-implementation	N/A	+	-
Intangible assets	N/A	+	-
Long-term debt - for long term purposes pre-implementation	NFRR	+	22,209
Long-term debt - for long term purposes post-implementation	NFRR	+	54,465
Line of credit for Construction in process	N/A	+	-
Lease right-of-use asset liability	SOFP	+	13,550
Pre-implementation right-of-use lease liabilities	N/A	+	-
Post-implementation right-of-use lease liabilities	N/A	+	-
Post-employment and defined pension liabilities	Note 12	+	<u>6,779</u>
<b>Total expendable net assets</b>			<b>\$ 120,854</b>
<b>Total operating expenses</b>	SOA		<b>110,129</b>
Add:			
Unrealized and realized losses on split-interest agreements	SOA	+	326
Endowment returns, net of distributions	SOA	+	7,635
Post retirement benefits liability adjustment	SOA	+	90
Non-operating and net investment (loss)	SOA	+	147
Other components of net periodic pension costs	N/A	+	-
Net investment losses	N/A	+	-
Pension-related changes other than net periodic costs	N/A	+	-
Losses on sale of property, plant, and equipment	N/A	+	<u>-</u>
<b>Total expenses without donor restrictions and losses without donor restrictions</b>			<b>\$ 118,327</b>
<b>Primary reserve ratio</b>			<b>1.021</b>

See notes to financial responsibility ratios.

**Willamette University**  
**Financial Responsibility Ratios**  
**Year Ended June 30, 2022**  
(in thousands)

<b>Equity Ratio Calculation</b>	<b>Reference</b>	<b>For the Year Ended June 30, 2022</b>
Net assets with donor restrictions	SOFP +	\$ 287,635
Net assets without donor restrictions	SOFP +	<u>103,976</u>
Total net assets	SOFP	391,611
Less:		
Lease right-of-use asset pre-implementation	N/A -	-
Pre-implementation right-of-use lease liabilities	N/A -	-
Intangible assets	N/A -	-
Unsecured related-party receivables	N/A -	-
Unsecured related party other assets	N/A -	<u>-</u>
Modified net assets		\$ 391,611
Total assets	SOFP +	\$ 555,408
Less:		
Lease right-of-use asset pre-implementation	N/A -	-
Intangible assets	N/A -	-
Unsecured related-party receivables	N/A -	-
Unsecured related party other assets	N/A -	<u>-</u>
Modified assets		<u>\$ 555,408</u>
Equity ratio		<b>0.705</b>

<b>Net Income Ratio Calculation</b>	<b>Reference</b>	<b>For the Year Ended June 30, 2022</b>
Change in net assets without donor restrictions	SOA	\$ (24,329)
Total operating revenues, gains, and other support without donor restrictions	SOA	\$ 92,607
Add:		
Gains (losses ) on other investments	N/A +	-
Building gifts released from restrictions	N/A +	-
Post retirement benefits liability adjustment	N/A +	-
Non-operating gifts	N/A +	-
Gain on extinguishment of debt	SOA +	1,391
Gain on disposal of property, plant and equipment	N/A +	-
Less:		
Net investment returns	N/A -	-
Other gains and losses, net	SOA -	-
Endowment returns, net of appropriations for operations	SOA -	<u>-</u>
Total non-operating revenues, gains, and other support without donor restrictions		<u>\$ 93,998</u>
Net income ratio		<b>(0.259)</b>

See notes to financial responsibility ratios.

**Willamette University**  
**Financial Responsibility Ratios**  
**Year Ended June 30, 2022**  
(in thousands)

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- Step 1:** Calculate the strength factor score for each ratio by using the following algorithms:  
Primary Reserve strength factor score = 10 x the primary reserve ratio result  
Equity strength factor score = 6 x the equity ratio result  
Negative net income ratio result: Net Income strength factor = 1 + (25 x net income ratio result)  
Positive net income ratio result: Net income strength factor = 1 + (50 x net income ratio result)  
Zero result for net income ratio: Net income strength factor = 1

If the strength factor score for any ratio is greater than or equal to 3, the strength factor score for the ratio is 3.

If the strength factor score for any ratio is less than or equal to -1, the strength factor score for the ratio is -1.

- Step 2:** Calculate the weighted score for each ratio and calculate the composite score by adding the three weighted scores  
Primary Reserve weighted score = 40% x the primary reserve strength factor score  
Equity weighted score = 40% x the equity strength factor score  
Net Income weighted score = 20% x the net income strength factor score  
Composite Score = the sum of all weighted scores  
Round the composite score to one digit after the decimal point to determine the final score

<b>As of and for the Year Ended June 30, 2022</b>				
<b>RATIO</b>	<b>Ratio</b>	<b>Strength Factor</b>	<b>Weight</b>	<b>Composite Scores</b>
<b>Primary Reserve Ratio</b>	1.02	3.00	40%	1.20
<b>Equity Ratio</b>	0.71	3.00	40%	1.20
<b>Net Income Ratio</b>	(0.26)	(1.00)	20%	(0.20)
<b>Composite Score</b>				<u>2.20</u>

See notes to financial responsibility ratios.

**Willamette University**  
**Notes to Financial Responsibility Ratios**  
**Year Ended June 30, 2022**

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**Note 1 - Financial Responsibility**

The Financial Responsibility Supplemental Schedule shows the calculation of the composite score for the University, including a reference for each financial element to either the statement of financial position (SOPF), statement of activities (SOA), notes to financial statements (Note x), or notes to financial responsibility supplemental schedule (NFR) as applicable.

**Note 2 - Plant Facilities, Net, Allocated for Financial Responsibility Supplemental Schedule**

	Plant Facilities	Accumulated Depreciation	Net
Pre-implementation	\$ 260,041,000	(136,635,000)	\$ 123,406,000
Post-implementation with outstanding debt for original acquisition	31,659,000	(666,000)	30,993,000
Post-implementation without outstanding debt for original acquisition	7,500,000	(654,000)	6,846,000
Construction in progress	5,350,000	-	5,350,000
	<u>\$ 304,550,000</u>	<u>(137,955,000)</u>	<u>\$ 166,595,000</u>

**Note 3 - Long-Term Debt, Allocated for Financial Responsibility Supplemental Schedule**

	Notes Payable	Bonds Payable	Bond Proceeds on Deposit	Net Total
Pre-implementation:				
Oregon Facilities Authority, 2016 Series B, net	\$ -	22,209,000	-	\$ 22,209,000
Post-implementation:				
Notes payable	-	-	-	-
Oregon Facilities Authority, 2021 Series A, net	-	78,236,000	-	78,236,000
Oregon Facilities Authority, 2021 Series B, net	-	15,437,000	-	15,437,000
Less bond proceeds on deposit with trustee	-	-	(24,208,000)	(24,208,000)
Less bond proceeds invested in quasi-endowment	-	-	(15,000,000)	(15,000,000)
Total post-implementation	<u>\$ -</u>	<u>93,673,000</u>	<u>(39,208,000)</u>	<u>\$ 54,465,000</u>
Totals	<u>\$ -</u>	<u>115,882,000</u>	<u>(39,208,000)</u>	<u>\$ 76,674,000</u>

See financial responsibility ratios.

## **Report of Independent Auditors on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards***

The Board of Trustees  
Willamette University

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the consolidated financial statements of Willamette University (the "University"), which comprise the consolidated statement of financial position as of June 30, 2022, and the related consolidated statements of activities, functional expenses and cash flows for the year then ended and the related notes to the consolidated financial statements, and have issued our report thereon dated November 2, 2022.

### **Report on Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the University's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the University's internal control. Accordingly, we do not express an opinion on the effectiveness of the University's internal control.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

### **Report on Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the University's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Moss Adams LLP*

Portland, Oregon  
November 2, 2022

# **Report of Independent Auditors on Compliance for Each Major Federal Program and Report on Internal Control Over Compliance Required by the Uniform Guidance**

The *Board of Trustees*  
Willamette University

## **Report on Compliance for Each Major Federal Program**

### ***Opinion on Each Major Federal Program***

We have audited Willamette University's compliance with the types of compliance requirements described in the OMB *Compliance Supplement* that could have a direct and material effect on each of Willamette University's major federal programs for the thirteen month period ended June 30, 2022. Willamette University's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion Willamette University complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2022.

### ***Basis for Opinion on Each Major Federal Program***

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America (GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*); and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent Willamette University and to meet our other ethical responsibilities, in accordance with 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 opinion on compliance for each major federal program. Our audit does not provide a legal determination of Willamette University's compliance with the compliance requirements referred to above.

### ***Responsibilities of Management for Compliance***

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to Willamette University's federal programs.

### ***Auditor's Responsibilities for the Audit of Compliance***

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Willamette University's compliance based on our audit. 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, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Willamette University's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with GAAS, *Government Auditing Standards*, and the Uniform Guidance, we

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, 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 Willamette University's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Willamette University's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of Willamette University's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

### **Report on Internal Control Over Compliance**

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

*Moss Adams LLP*

Portland, Oregon  
November 2, 2022

**Willamette University**  
**Schedule of Findings and Questioned Costs**  
**Year Ended June 30, 2022**

**Section I – Summary of Auditor’s Results**

**Financial Statements**

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with generally accepted accounting principles (GAAP):

Unmodified

Internal control over financial reporting:

- Material weakness(es) identified?  Yes  No
- Significant deficiency(ies) identified?  Yes  None reported
- Noncompliance material to financial statements noted?  Yes  No

**Federal Awards**

Internal control over major federal programs:

- Material weakness(es) identified?  Yes  No
- Significant deficiency(ies) identified?  Yes  None reported
- Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?  Yes  No

Identification of major federal programs and type of auditor’s report issued on compliance for major federal programs:

<i>Federal Assistance Listing Number(s)</i>	<i>Name of Federal Program or Cluster</i>	<i>Type of Auditor’s Report Issued on Compliance for Major Federal Programs</i>
Various	Student Financial Assistance Cluster	Unmodified
84.425 E, F & M	COVID-19 Education Stabilization Fund – Higher Education Emergency Relief Funds	Unmodified

Dollar threshold used to distinguish between type A and type B programs:

\$ 750,000

Auditee qualified as low-risk auditee?  Yes  No

**Willamette University**  
**Schedule of Findings and Questioned Costs**  
**Year Ended June 30, 2022**

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**Section II – Financial Statement Findings**

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None reported.

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**Section III – Federal Award Findings and Questioned Costs**

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None reported.

**Willamette University**  
**Summary Schedule of Prior Audit Findings**  
**Year Ended June 30, 2022**

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There are no prior audit findings noted.

**Willamette University**  
**Schedule of Expenditures of Federal Awards**  
**Year Ended June 30, 2022**

Federal Grantor/Pass-Through Grantor/ Program or Cluster Title	Federal Assistance Listing Number	Pass-Through Entity Identifying Number	Pass-Through to Subrecipients	Federal Expenditures
<b>U.S. Department of Education</b>				
Direct Programs				
COVID-19 Education Stabilization Fund - Higher Education				
Emergency Relief Fund (HEERF)				
Student portion	84.425E		\$ -	\$ 2,549,843
Institutional portion	84.425F		-	1,978,174
Strengthening institutions program	84.425M		-	174,770
<b>Total COVID-19 Education Stabilization Fund - Higher Education Emergency Relief Fund (HEERF)</b>			-	4,702,787
<b>Student Financial Assistance Cluster:</b>				
Department of Education Direct Programs:				
Federal Supplemental Educational Opportunity Grants	84.007		-	545,809
Federal Work Study Program	84.033		-	560,289
Federal Perkins Loan Program (Note 4)	84.038		-	3,301,029
Federal Pell Grant Program	84.063		-	2,194,647
Federal Direct Student Loans	84.268		-	26,969,352
<b>Total Student Financial Assistance Cluster</b>			-	33,571,126
<b>Total U.S. Department of Education</b>			-	38,273,913
<b>Research &amp; Development Cluster:</b>				
National Science Foundation Direct Programs:				
Engineering	47.079		-	85,416
Biological Sciences	47.074		204,956	312,355
Education and Human Services	47.076		-	203,557
Mathematical and Physical Sciences	47.049		-	55,584
Total National Science Foundation			204,956	656,912
National Institutes of Health Direct Programs:				
Biomedical Research and Research Training	93.859		45,472	98,497
US Department of Education Institute of Education Services				
Direct Programs:				
University of California, Davis				
Education Research Grants	84.305A		-	35,158
<b>Total Research and Development Cluster</b>			250,428	790,567
Department of Health and Human Services, Administration for Children and Families Pass-Through Program From: Oregon Department of Education				

See notes to schedule of expenditures of federal awards.

**Willamette University**  
**Schedule of Expenditures of Federal Awards**  
**Year Ended June 30, 2022**

Federal Grantor/Pass-Through Grantor/ Program or Cluster Title	Federal Assistance Listing Number	Pass-Through Entity Identifying Number	Pass-Through to Subrecipients	Federal Expenditures
Social Services Block Grant	93.667	21010RSOSR	\$ -	\$ 69,023
Institute of Museum and Library Services Pass-Through Program From: State Library of Oregon				
Grants to States	45.310	LS-246192-OLS-20	-	29,537
Victims of Crime Act of 1984 Pass-Through Programs From: Oregon Department of Justice				
Crime Victim Assistance	16.575	VOCA-FI-2018-WU-00076	-	65,322
Crime Victim Assistance	16.575	VOCA-FI-2020-WU-00076	-	895
Total Victims of Crime Act of 1984			-	66,217
Department of Homeland Security Direct Programs: Disaster Grants - Public Assistance	97.036		-	111,147
National Historical Publications and Records Commission Direct Programs: NHPRC (Mark O. Hatfield Materials)	89.003		-	61,965
Promotion of the Humanities, Teaching, and Learning Resources and Curriculum Development Direct Programs:				
National Endowment for the Humanities	45.162		-	61,895
Promotion of the Arts Partnership Agreements	45.025		-	108,329
Promotion of the Arts Grants to Organizations and Individuals	45.024		-	7,272
Promotion of the Humanities, Teaching, and Learning Resources and Curriculum Development Pass-Through Program From:				
Promotion of the Arts Partnership Agreements	45.025	1863327-61-20		15,313
Total Promotion of the Humanities, Teaching, and Learning Resources and Curriculum Development			-	192,809
<b>Total Expenditures of Federal Awards</b>			<b>\$ 250,428</b>	<b>\$ 39,595,178</b>

See notes to schedule of expenditures of federal awards.

**Willamette University**  
**Notes to Schedule of Expenditures of Federal Awards**  
**Year Ended June 30, 2022**

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**Note 1 – Basis of Presentation**

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of Willamette University (00322700) and Pacific Northwest College of the Arts (00320700) (collectively, the University) under programs of the federal government for the year ended June 30, 2022. The information in the Schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of the University, it is not intended to and does not present the consolidated financial position, changes in net assets, or cash flows of the University.

**Note 2 – Summary of Significant Accounting Policies**

Expenditures reported on the Schedule are reported on the accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule, if applicable, represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. Pass-through entity identifying numbers are presented where available.

**Note 3 – Indirect Cost Rate**

The University has not elected to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.

**Note 4 – Federal Student Loan Programs**

The federal student loan program listed below is administered directly by the University and balances and transactions relating to this program are included in the University's consolidated financial statements. Loans outstanding at the beginning of the year are included in the federal expenditures presented in the Schedule. The balance of loans outstanding at June 30, 2022 consists of:

	Federal Assistance Listing Number	Outstanding Balance at June 30, 2022
United States Department of Education Federal Perkins Loan Program	84.038	\$ 2,572,718

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. The University has been notified that the government will begin collecting the Federal share of the University's Perkins Loan Revolving Funds sometime thereafter.

See schedule of expenditures of federal awards.



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