



University
of Portland



2023 Financial Report



The University of Portland, an independently governed Catholic university guided by the Congregation of Holy Cross, addresses significant questions of human concern through disciplinary and interdisciplinary studies of the arts, sciences, and humanities and through studies in majors and professional programs at the undergraduate and graduate levels. As a diverse community of scholars dedicated to excellence and innovation, we pursue teaching and learning, faith and formation, service and leadership in the classroom, residence halls, and the world. Because we value the development of the whole person, the University honors faith and reason as ways of knowing, promotes ethical reflection, and prepares people who respond to the needs of the world and its human family.

UNIVERSITY OF PORTLAND
2023 FINANCIAL REPORT

June 30, 2023

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Report of Independent Auditors

The Board of Regents
University of Portland

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of University of Portland (the University), which comprise the statement of financial position as of June 30, 2023, and the related statements of activities and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the University as of June 30, 2023, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the University and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our 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 financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS, we:

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

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

Other Matter

Report on Summarized Comparative Information

We have previously audited the University's June 30, 2022 consolidated financial statements, and our report dated November 18, 2022, expressed an unmodified audit opinion on those consolidated financial statements. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2022, is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

Moss Adams LLP

Portland, Oregon
November 9, 2023

UNIVERSITY OF PORTLAND
STATEMENT OF FINANCIAL POSITION

June 30, 2023 (with comparative financial information as of June 30, 2022)
(in thousands)

	<u>2023</u>	<u>2022</u>
ASSETS		
Cash and cash equivalents	\$ 13,790	\$ 34,406
Accounts receivable, net	1,742	1,588
Prepaid expenses and other assets	2,756	3,360
Contributions receivable, net	17,578	10,072
Student loans receivable	3,827	4,416
Investments	314,596	328,084
Property, plant, and equipment, net	354,441	330,383
Total assets	<u><u>\$ 708,730</u></u>	<u><u>\$ 712,309</u></u>
LIABILITIES AND NET ASSETS		
Liabilities:		
Accounts payable and accrued liabilities	\$ 16,537	\$ 15,782
Deferred revenues and deposits	7,860	5,515
Government advances for student loans	1,573	2,146
Annuities payable	1,783	1,788
Bonds payable, net	79,066	81,838
Total liabilities	<u>106,819</u>	<u>107,069</u>
Net Assets:		
Without donor restrictions	\$ 297,358	\$ 299,477
With donor restrictions	304,553	305,763
Total net assets	<u>601,911</u>	<u>605,240</u>
Total liabilities and net assets	<u><u>\$ 708,730</u></u>	<u><u>\$ 712,309</u></u>

UNIVERSITY OF PORTLAND
STATEMENT OF ACTIVITIES

For the year ended June 30, 2023 (with summarized comparative financial information for the year ended June 30, 2022)
(in thousands)

	2023			2022
	Without Donor Restrictions	With Donor Restrictions	Total	Total
OPERATING ACTIVITIES				
Revenues and gains:				
Student tuition and fees	\$ 186,222	\$ -	\$ 186,222	\$ 189,380
Less scholarships	(97,288)	-	(97,288)	(96,306)
Net student tuition and fees	88,934	-	88,934	93,074
Room and board	21,298	-	21,298	23,365
Grants and contracts	1,713	762	2,475	8,789
Contributions	3,123	3,997	7,120	5,084
Investment return on endowment, distributed	2,025	9,553	11,578	6,705
Other investment returns	1,809	-	1,809	(216)
Other revenues and gains	6,517	-	6,517	5,445
Net assets released from restrictions	11,469	(11,469)	-	-
Total operating revenues and gains	136,888	2,843	139,731	142,246
Expenses:				
Salaries and wages	64,651	-	64,651	64,702
Employee benefits	21,109	-	21,109	23,029
Services purchased	20,327	-	20,327	20,940
Supplies	4,877	-	4,877	5,168
Depreciation	12,435	-	12,435	11,815
Interest expense	3,157	-	3,157	3,289
Other	20,412	-	20,412	22,883
Total operating expenses	146,968	-	146,968	151,826
Change in net assets from operating activities	(10,080)	2,843	(7,237)	(9,580)
NONOPERATING ACTIVITIES				
Contributions	-	11,737	11,737	3,024
Endowment returns, net of amounts distributed	(1,497)	(6,642)	(8,139)	(28,969)
Change in value of split interest agreements	(11)	22	11	924
Other	-	299	299	(40)
Net assets released from restrictions for capital projects	9,469	(9,469)	-	-
Change in net assets	(2,119)	(1,210)	(3,329)	(34,641)
Net assets at beginning of year	299,477	305,763	605,240	639,881
Net assets at end of year	\$ 297,358	\$ 304,553	\$ 601,911	\$ 605,240

UNIVERSITY OF PORTLAND

STATEMENT OF CASH FLOWS

For the year ended June 30, 2023 (with comparative financial information for the year ended June 30, 2022)
(in thousands)

	2023	2022
Cash flows from operating activities:		
Change in net assets	\$ (3,329)	\$ (34,641)
Adjustments to reconcile change in net assets to net change in cash from operating activities:		
Depreciation and amortization expense	12,213	11,553
Adjustment due to asset impairment	-	1,057
Adjustment to allowance for doubtful accounts	(4)	139
Adjustment to allowance for doubtful contributions receivable	7,441	(95)
Adjustment to contributions receivable discount	5,313	(43)
Contributions restricted for long-term investment	(5,489)	(4,311)
Contributions subject to annuity and unitrust agreements	(67)	(22)
Net unrealized and realized change in investment values	(3,821)	25,351
Changes in operating assets and liabilities:		
Accounts receivable	(150)	(610)
Prepaid expenses and other assets	74	212
Contributions receivable	(20,260)	1,447
Accounts payable, accrued liabilities, deferred revenue, and deposits	3,100	3,410
Annuities payable	(5)	(1,577)
Net change in cash from operating activities	<u>(4,984)</u>	<u>1,870</u>
Cash flows from investing activities:		
Payments of student loans receivable, net	589	633
Purchases of investments	(47,681)	(36,585)
Proceeds from maturities and sales of investments	64,990	70,867
Purchases of property, plant, and equipment	(36,493)	(23,859)
Net change in cash from investing activities	<u>(18,595)</u>	<u>11,056</u>
Cash flows from financing activities:		
Cash contributions restricted for:		
Investment in endowment	4,557	2,819
Investment in plant	928	1,488
Loan fund	4	4
Investment subject to annuity and trust agreements	67	22
Changes in advances from federal government for student loans	(573)	(97)
Payments on bonds payable	(2,020)	(1,945)
Net change in cash from financing activities	<u>2,963</u>	<u>2,291</u>
Net change in cash and cash equivalents	(20,616)	15,217
Total beginning cash and cash equivalents	34,406	19,189
Total ending cash and cash equivalents	<u>\$ 13,790</u>	<u>\$ 34,406</u>
Supplemental disclosure of cash flow information		
Cash paid during the year for interest, including capitalized interest of \$197 and \$138 for the years ended June 30, 2023 and 2022	\$ 3,596	\$ 3,668

UNIVERSITY OF PORTLAND

NOTES TO FINANCIAL STATEMENTS

June 30, 2023 (with comparative financial information as of June 30, 2022)
(in thousands)

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The University of Portland (the University) is a private institution of higher education accredited by the Northwest Commission on Colleges and Universities and by other accrediting bodies for specific programs. It is affiliated with the Congregation of Holy Cross - a Roman Catholic order of priests and brothers. The University offers students both undergraduate and graduate degrees in programs covering a wide variety of academic and professional disciplines. The University is a not-for-profit organization funded by student tuition revenue, endowment income, and outside contributions.

Financial statement presentation

These 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 and to present transactions according to the existence or absence of donor-imposed restrictions. This has been accomplished by classification of net asset balances and transactions into two classes of net assets - without donor restrictions and with donor restrictions. Descriptions of the two net asset categories and the types of transactions affecting each category are reported as follows:

Without donor restrictions – Net assets not subject to donor imposed stipulations.

With donor restrictions – Net assets subject to donor imposed stipulations that will be satisfied by actions of the University and/or the passage of time, or will exist in perpetuity in the form of endowment funds. Items included in this net asset category are contributions and grants for land and depreciable assets, unconditional promises to give (regardless of purpose), split-interest agreements, endowments, and investment returns on donor-restricted endowments.

Revenues are reported as increases in net assets without donor restrictions unless their use is limited by donor imposed restrictions or by law. 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 reclassifications between the applicable classes of net assets.

The University's measure of operations presented in the statement of activities includes revenues from tuition and fees, grants and contracts, contributions except those for endowments or land and depreciable assets, investment income from non-endowment investments, amounts appropriated for expenditure from endowments in the current year, and revenues from auxiliary enterprises and other sources. Operating expenses are reported by natural classification in the statement of activities.

The statement of activities includes comparative summarized information for the year ended June 30, 2022. 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 financial statements for the year ended June 30, 2022, from which the summarized information was derived.

Revenue recognition

Student tuition and fees

Student tuition and fee revenue is recognized pro-rata over each instructional course 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.

UNIVERSITY OF PORTLAND

NOTES TO FINANCIAL STATEMENTS

June 30, 2023 (with comparative financial information as of June 30, 2022)
(in thousands)

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *Continued*

Almost half of the University's students rely on funds received from various federal financial aid programs under Title IV of the Higher Education Act of 1965, as amended, to pay for a substantial portion of their tuition. These programs are subject to periodic review by the United States Department of Education (ED). Disbursements under each program are subject to disallowance by the ED and repayment by the University. In addition, as an educational institution, the University is subject to licensure from various accrediting and state authorities and other regulatory requirements of the ED.

Student room and board

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 maintains an institutional refund policy for student room and board, which 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. Students are generally billed for room and board prior to moving in. 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.

Grants and contracts

Unconditional grants and contracts are recognized as revenue in the period received and are reported as increases in the appropriate category of net assets. Individual governmental and private grant arrangements have been evaluated and determined to be nonreciprocal, meaning the granting entity has not received a direct benefit in exchange for the resources provided. Instead, revenue is treated like a conditional contribution until the barrier to entitlement is 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, 2023, grant awards in the amount of \$502 did not yet meet the criteria for recognition.

Contributions and promises to give

Contributions, in cash or in-kind, including unconditional promises to give, are recognized as revenues in the period in which they are received. Unconditional promises to give are recognized at the estimated present value of future cash flows, discounted at a discount rate commensurate with the risks involved. 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. Conditional promises to give are recognized when the conditions are met. Contributions of assets other than cash are recorded at their estimated fair value. Contributions for capitalized long lived assets are reported as increases to net assets with donor restrictions and are released from restriction when the assets are placed into service.

Contributed services are reported when specialized services are performed, or would otherwise be purchased or performed by employees, and when the University exercises control over the duties performed. Contributed services totaling approximately \$272 and \$248, for the years ended June 30, 2023 and 2022, respectively, have been recorded as contribution revenue and instruction expense on the accompanying statement of activities.

As of June 30, 2023, conditional gifts and promises to give in the amount of \$10,000 did not yet meet the criteria for recognition.

Cash and cash equivalents include demand deposits, certificates of deposit, money market funds, and U.S. government securities with original maturity dates of 90 days or less. 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.

UNIVERSITY OF PORTLAND

NOTES TO FINANCIAL STATEMENTS

June 30, 2023 (with comparative financial information as of June 30, 2022)
(in thousands)

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *Continued*

Receivables

Accounts receivable represents amounts due from various individuals and organizations and are recorded at the invoiced amount, net of an allowance for doubtful accounts. Student loans receivable are recorded at the invoiced amount, net of allowances (see Note 4).

The allowance for doubtful accounts for all receivables represents the University's best estimate of the amount of probable credit losses in the University's existing accounts receivable and student loans receivable. The University determines the allowance by performing ongoing evaluations of its students and other debtors and their ability to make payments. The University determines the adequacy of the allowance based on length of time past due, historical experience and judgment of economic conditions. Account and loan balances are charged off against the allowance after all means of collection have been exhausted and potential recovery is considered remote. As of June 30, 2023 and 2022, the accounts receivable allowance for doubtful accounts totaled \$1,131 and \$1,135, respectively.

Investments

Investments are stated at fair value. The fair value of all debt and equity securities with readily determinable fair values are based on quotations from national securities exchanges. Alternative investments, which are not readily marketable, are carried at estimated fair values as provided by the investment managers. The University reviews and evaluates the values provided by the investment managers and agrees with the valuation methods and assumptions used in determining fair value. These estimated fair values may differ significantly from the values that would have been used had a ready market for these securities existed.

The University invests in a variety of investment securities that are exposed to various risks such as interest rate, credit and overall market volatility risks. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in the values of investment securities will occur in the near-term and such changes could materially affect the amounts reported in the financial statements.

The University may employ derivatives and other strategies to hedge against market risks, arbitrage mispricing of related securities, and to replicate long and short positions more cost effectively. Accordingly, derivatives in the investment portfolio may include currency forward contracts, interest rate and currency swaps, call and put options, debt and equity futures contracts, equity swaps and other vehicles that may be appropriate in certain circumstances. The University did not directly hold any derivative securities as detailed above, but held shares of commingled investment vehicles, such as hedge funds of funds, which may hold such instruments. Derivatives held by limited partnerships and commingled investment trusts in which the University invests involve varying degrees of off-balance sheet risk, and may result in losses due to changes in the market.

Beneficial interest in assets held by others

The University invests the majority of its endowment assets with a religious affiliate (the Affiliate) that shares the University's Catholic ministry and educational mission. These assets are held in the Affiliate's endowment and are invested for the University's benefit. The endowment, managed to provide a stable source of financial support, is invested in a diversified portfolio with an allocation emphasizing equity-based instruments to obtain capital appreciation and current yield. Investments held in the Affiliate's endowment include U.S. public equities, non-U.S. public equities, long/short public equities, fixed income securities, marketable alternatives, private equity, real estate, and other real assets. The University has no unfunded commitments to its beneficial interest in assets held by others as of June 30, 2023.

The University may redeem its interest as necessary. Assets can be redeemed at the prior quarter net asset value as reported by the funds' investment managers. Redemption of up to 2 percent of the total units is allowed every month with payment in 30 days. Redemption requests of up to 12.5 percent of the total units are to be paid within two quarters. Full payout at a quarterly rate of 12.5 percent would be made in two years.

UNIVERSITY OF PORTLAND

NOTES TO FINANCIAL STATEMENTS

June 30, 2023 (with comparative financial information as of June 30, 2022)
(in thousands)

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *Continued*

Property, plant, and equipment

Property, plant, and equipment are recorded at cost at the date of acquisition, or fair value at the date of receipt if contributed. The University computes depreciation using the straight line method over the estimated useful lives of property, plant, and equipment as follows:

Land improvements	60 years
Buildings	60 years
Library holdings	20 years
Real estate holdings	20 years
Furniture, fixtures, and equipment	10 years
Computer equipment	5 years

Addition and betterments of \$5 or more are capitalized except for computer equipment and library holdings, which are capitalized at any value. Repairs and maintenance that do not extend the useful lives or upgrade the functionality of the respective assets are expensed as incurred.

Charitable gift annuities and charitable 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 donor contributes assets in exchange for distributions to beneficiaries over a specified period of time, often the lifetime of the beneficiaries, based on the value of the donation or the trust assets. When the agreement reaches the end of its terms, remaining assets are available for the University's use. Assets received are recorded at fair value, and a liability equal to the estimated present value of expected future distributions to income beneficiaries is recorded. Assets held in the gift annuity pool and charitable trusts are carried as investments at their estimated fair values. The difference between the fair value of the assets received and the liability to income beneficiaries is recognized as contribution revenue. On an annual basis, the University recalculates the liability based on applicable mortality tables and discount rates. For the values reported as of June 30, 2023, the University used the 2000 CM mortality tables with a discount rate of 4.2%.

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 elected the following practical expedients: not reassessing past lease accounting, and using 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.

Functional allocation of expenses

Expenses are allocated to programs and organized by functional categories that correlate to the educational mission. Natural expenses are charged directly to the appropriate program where possible, and expenses attributable to more than one functional expense category (including costs for information services and operation and maintenance of plant, collectively labeled "Support Services" in Note 12) are allocated using a variety of cost allocation techniques, including square footage and employee head count.

Income taxes

The University is a tax-exempt organization and is not subject to federal or state income taxes, except for unrelated business income, in accordance with Section 501(c)(3) of the Internal Revenue Code. In addition, the University qualified for the charitable contribution deduction under Section 170(b)(1)(A) and has been classified as an organization that is not a private foundation. Unrelated business income tax, if any, is insignificant and no tax provision has been made in the accompanying financial statements.

UNIVERSITY OF PORTLAND

NOTES TO FINANCIAL STATEMENTS

June 30, 2023 (with comparative financial information as of June 30, 2022)
(in thousands)

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *Continued*

The University recognizes the tax benefit from uncertain tax positions only if it is more likely than not that the tax positions will be sustained on examination by tax authorities, based on the technical merits of the position. The tax benefit is measured based on the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement. The University recognizes interest accrued and penalties related to unrecognized tax benefits in administrative expense. During the years ended June 30, 2023 and 2022, the University recognized no interest and penalties. There were no unrecognized tax benefits at June 30, 2023 and 2022, and the University has no uncertain tax positions requiring accrual.

The University files an exempt organization income tax return and an unrelated business income tax return in the U.S. federal jurisdiction. The appropriate state and local returns are also filed for any unrelated business income.

Fair value measurements

Generally accepted accounting principles define 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. The valuation techniques used are based on observable and unobservable inputs. Observable inputs reflect market data obtained from independent sources, while unobservable inputs reflect the University's market assumptions.

These two types of inputs create the following fair value hierarchy:

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

Level 2 – Inputs (other than quoted prices included in Level 1) are either directly or indirectly observable for the asset or liability through correlation with market data at the measurement date.

Level 3 – Inputs reflect the reporting entity's best estimates of what market participants would use in pricing the asset or liability at the measurement date. Consideration is given to the risks inherent in the valuation technique and the inputs to the model. Securities classified within Level 3 are valued based on estimates provided by external investment managers. The valuations consider variables such as financial performance of investments, recent sales prices, and other pertinent information. Management reviews the valuation of investments on a quarterly basis.

A financial instrument is defined as a contractual obligation that ultimately ends with the delivery of cash or an ownership interest in an entity. Disclosures included in these notes regarding the fair value of financial instruments have been derived using external market sources, estimates using present value, or other valuation techniques. Most financial assets and liabilities for which the carrying amount approximates fair value are considered by the University to be Level 1 measurements in the fair value hierarchy.

The University uses the following methods and significant assumptions to estimate valuation for assets carried at fair value on a recurring basis:

Equity holdings and corporate bonds – Fair value is based on quoted market prices for identical assets, if available. If a quoted market price is not available, fair value is estimated using quoted market prices of similar assets.

Cash surrender value of life insurance – Fair value is based on the cash surrender value provided by the policy's insurer.

Private equity funds – Fair value is based on the net asset value of the fund as determined in good faith by the fund manager. Due to inherent uncertainty in investments in funds for which no active market exists, or underlying assets which are not actively traded, the estimated value may differ significantly from the value that could be realized in a secondary market transaction, and the ultimate amounts realized could be significantly different from the values reported.

UNIVERSITY OF PORTLAND

NOTES TO FINANCIAL STATEMENTS

June 30, 2023 (with comparative financial information as of June 30, 2022)
(in thousands)

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *Continued*

Investment strategies of such funds may include the use of margin and other forms of leverage including taking short positions, swaps, futures, options, warrants, private placements, forward contracts, trade claims and credit default swaps and real estate instruments when deemed appropriate by fund managers. Other event-driven investment strategies include merger arbitrage, distressed securities and special situations. All investment objectives and strategies used by fund managers comply with the University's Investment Policy.

The University is generally unable to redeem its investment in these private equity funds until they are liquidated. The remaining lives of these funds range from one to three years with all commitments due on demand. See Note 6.

Beneficial interest in assets held by others – Fair value is based on the net asset value as reported by the Affiliate, unless specific evidence indicates that net asset value should be adjusted. This may involve using significant unobservable inputs. The valuation methods used by the Affiliate are subject to regular review by the University.

Endowments

The University is governed by the Uniform Prudent Management of Institutional Funds Act (UPMIFA), which identifies specific factors that must be considered in the University's policies on investing and spending earnings from endowed funds. See Note 13.

Use of estimates

The preparation of these 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, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results may differ from these estimates.

Related party transactions

From time to time, members of the University's Board of Regents and senior management may be associated, either directly or indirectly, with companies doing business with the University. The University requires annual disclosure of significant financial interests in, or employment or consulting relationships with, entities doing business with the University. These annual disclosures cover regents, senior management, and their immediate family members. When such relationships exist, measures are taken to appropriately manage the actual or perceived conflict of interest. The University has a written conflict of interest policy that requires, among other things, that no member of the Board of Regents may participate in any decision in which he or she (or an immediate family member) has a material financial interest. When such relationships exist, measures are taken to mitigate any actual or perceived conflict, including requiring that such transactions be conducted at arm's length, for good and sufficient consideration, based on terms that are fair and reasonable to and for the benefit of the University, and in accordance with applicable conflict of interest laws.

Subsequent events

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

Subsequent events have been evaluated through November 13, 2023, which corresponds to the date the financial statements were issued. No other events were determined to be reportable.

Reclassifications

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

UNIVERSITY OF PORTLAND
NOTES TO FINANCIAL STATEMENTS

June 30, 2023 (with comparative financial information as of June 30, 2022)
(in thousands)

NOTE 2 - LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

The University regularly monitors liquidity and availability of resources required to meet its operating needs and other contractual commitments. For purposes of analyzing resources available to meet general expenditures over a twelve month period, the University considers all expenditures for its mission-related activities and the costs of service in support of those activities to be general expenditures. The following table presents the University's financial assets available for general use within one year:

	<u>2023</u>	<u>2022</u>
Financial assets:		
Cash	\$ 13,704	\$ 34,342
Accounts receivable, net	1,507	1,452
Current non-endowed contributions receivable, net	959	540
Investments	18,056	36,115
Investments related to current appropriation of earnings for endowed funds	13,930	12,400
Total financial assets available within one year	<u>48,156</u>	<u>84,849</u>
Liquidity resources:		
Available line of credit	15,000	15,000
Net assets without donor restrictions funds functioning as endowment, net of appropriation	40,314	43,473
Total financial assets and liquidity resources available within one year	<u>\$ 103,470</u>	<u>\$ 143,322</u>

The University's practice is to structure its financial assets to be available as its general expenditures, liabilities and other obligations come due. As a reserve against unexpected liquidity needs, the University maintains a \$15,000 line of credit of which \$15,000 was available at June 30, 2023 (see Note 9).

The University also maintains funds not subject to donor restrictions that function as endowment (see Note 13). With the consent of the University's Board of Regents, these funds may be drawn upon for general use. While a limit exists on the amount that may be drawn from the beneficial interest in assets held by others in any one-year period, a complete draw of funds functioning as endowment together with its regular annual appropriation would not exceed that limit.

NOTE 3 - CONTRIBUTIONS RECEIVABLE

The University calculates contributions receivable as the present value of estimated future cash flows using a 4.16% to 4.35% discount rate. At June 30, 2023, contributions due from 11 related party donors totaled \$39,221 and represented 78% of outstanding contributions receivable. At June 30, 2022, contributions due from 16 related party donors totaled \$21,555 and represented 70% of outstanding contributions receivable. The annual payments are scheduled to be received as follows:

	<u>2023</u>	<u>2022</u>
Less than one year	\$ 8,766	\$ 3,051
One to five years	3,628	4,344
More than five years	37,894	22,633
	<u>50,288</u>	<u>30,028</u>
Less discount	(16,976)	(11,663)
Less reserve for uncollectible accounts	(15,734)	(8,293)
Contributions receivable, net	<u>\$ 17,578</u>	<u>\$ 10,072</u>

UNIVERSITY OF PORTLAND
NOTES TO FINANCIAL STATEMENTS

June 30, 2023 (with comparative financial information as of June 30, 2022)
(in thousands)

NOTE 4 - STUDENT LOANS RECEIVABLE

The University's student loans receivable is comprised of Federal Perkins and Nursing Student loans (Federal Program), as well as institutional loans payable on similar terms. Federal Program loans are generally payable with interest at 3.00% and 5.00% over approximately 11 years following University attendance. Principal payments, interest and losses due to cancellation are shared by the University and the U.S. government in proportion to their respective shares of funds provided. The Federal Program provides for cancellation of loans if the student is employed in certain occupations following graduation (employment cancellations).

Student loans are considered past due if payment is not received by the 15th day of the month. Loans more than 60 days past due are sent to a collection agency. The student loans receivable are as follows:

	2023	2022
Federal Perkins loans	\$ 1,128	\$ 1,707
Federal Nursing loans	670	762
Institutional loans	2,944	2,980
	<u>4,742</u>	<u>5,449</u>
Less reserve for uncollectible accounts	(915)	(1,033)
Student loans receivable, net	<u>\$ 3,827</u>	<u>\$ 4,416</u>

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. No additional funds have been advanced, and the University is returning excess funds as required by the federal government. The University will continue to service loans until assignment is required or it becomes more cost-effective to assign the remaining loans. Government advances for student loans in prior years totaling \$1,573 and \$2,146 as of June 30, 2023 and June 30, 2022, respectively, are ultimately refundable to the government and are classified as a liability in the statement of financial position. Outstanding loans cancelled under the Federal Program result in a reduction of the funds available for loan and a decrease in the liability to the federal government.

NOTE 5 - INVESTMENTS

The fair value of investments at June 30, 2023 and June 30, 2022 is as follows:

	2023	2022
Beneficial interest in assets held by others	\$ 291,453	\$ 288,023
Public equity holdings	4,479	3,923
Private equity funds	68	89
Corporate bonds	18,381	35,850
Cash surrender value of life insurance	215	199
Total investments	<u>\$ 314,596</u>	<u>\$ 328,084</u>

The following schedule summarizes investment return and its presentation in the statement of activities:

	2023	2022
Interest and dividend income	\$ 1,788	\$ 2,616
Net unrealized and realized gains on investments carried at fair value	3,821	(25,351)
Total investment return	<u>5,609</u>	<u>(22,735)</u>
Less investment return on endowment, distributed	(11,578)	(6,705)
Less other operating investment net returns	(1,809)	216
Nonoperating investment return	<u>(7,778)</u>	<u>(29,224)</u>
Net investment returns included in net change in value of split interest agreements	(241)	215
Net investment returns included in other nonoperating	(120)	40
Endowment returns, net of amounts distributed	<u>\$ (8,139)</u>	<u>\$ (28,969)</u>

UNIVERSITY OF PORTLAND

NOTES TO FINANCIAL STATEMENTS

June 30, 2023 (with comparative financial information as of June 30, 2022)
(in thousands)

NOTE 6 - FAIR VALUE OF ASSETS

The University's investments and other assets by major category in the fair value hierarchy as of June 30, 2023 and June 30, 2022 are as follows:

	Level 1	Level 2	Level 3	Total
2023				
Investments in the fair value hierarchy:				
Equity holdings	\$ 4,479	-	-	\$ 4,479
Corporate bonds	-	18,381	-	18,381
Cash surrender value of life insurance	-	215	-	215
Total investments in fair value hierarchy	4,479	18,596	-	23,075
Investments measured at net asset value (practical expedient):				
Beneficial interest in assets held by others				291,453
Private equity funds				68
Total investments	\$ 4,479	18,596	-	\$ 314,596
2022				
Investments in the fair value hierarchy:				
Equity holdings	\$ 3,923	-	-	\$ 3,923
Corporate bonds	-	35,850	-	35,850
Cash surrender value of life insurance	-	199	-	199
Total investments in fair value hierarchy	3,923	36,049	-	39,972
Investments measured at net asset value (practical expedient):				
Beneficial interest in assets held by others				288,023
Private equity funds				89
Total investments	\$ 3,923	36,049	-	\$ 328,084

There were no changes in valuation methods or assumptions during the years ended June 30, 2023 and 2022.

The University uses net asset value (NAV) to determine the fair value of underlying investments which (a) do not have a readily determinable fair value and (b) prepare their financial statements consistent with the measurement principles or have the attributes of an investment company. The following table lists investments in other investment companies by major class:

	Fair Value June 30, 2023	Unfunded Commitments	Redemption Frequency	Redemption Notice Period	Other Restrictions
Private equity funds					
Multi-strategy private equity funds	\$ 59	\$ -	N/A*	N/A*	N/A*
Restructured companies private equity funds	9	-	N/A*	N/A*	N/A*
Beneficial interest in assets held by others					
Multi-strategy (a)	291,453	-	Monthly	30 days-2 years	N/A
Total	<u>\$ 291,521</u>	<u>\$ -</u>			

* These funds are in private equity structures with no redemption provisions.

(a) Investment objectives seek to preserve the real purchasing power of the investment, while providing a stable source of financial support. To satisfy its long-term rate of return objectives, a total return strategy is employed in which investment returns are achieved through both realized and unrealized capital appreciation and current yield through interest and dividends. In addition, a diversified asset allocation places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

UNIVERSITY OF PORTLAND
NOTES TO FINANCIAL STATEMENTS

June 30, 2023 (with comparative financial information as of June 30, 2022)
(in thousands)

NOTE 7 - PROPERTY, PLANT, AND EQUIPMENT

Property, plant, and equipment consists of the following at June 30, 2023 and 2022:

	2023	2022
Land and improvements	\$ 41,179	\$ 39,564
Buildings	334,750	322,017
Furniture, fixtures and equipment	72,145	66,916
Library holdings	18,999	18,806
Real estate holdings	8,476	8,428
	<u>475,549</u>	<u>455,731</u>
Less accumulated depreciation	(151,058)	(140,217)
	<u>324,491</u>	<u>315,514</u>
Construction in progress	29,950	14,869
Property, plant, and equipment, net	<u>\$ 354,441</u>	<u>\$ 330,383</u>

Depreciation expense totaled \$12,435 and \$11,815 during the years ended June 30, 2023 and 2022, respectively.

The University periodically reviews its property, plant, and equipment to remove from its assets any fully depreciated items that have been discarded and fully depreciated items that are no longer in use. The University removed \$1,509 and \$1,936 of fully depreciated assets in the years ended June 30, 2023 and 2022, respectively.

NOTE 8 - LEASES, COMMITMENTS, AND CONTINGENCIES

The University leases certain office equipment and facilities under operating lease agreements expiring through May 2028. Future minimum lease payments are as follows:

<u>Fiscal Years Ending June 30,</u>	
2024	\$ 201
2025	201
2026	201
2027	201
2028	168
Thereafter	-
	<u>972</u>
Less unamortized discount to net present value	(110)
Total expected future aggregate minimum lease payments	<u>\$ 862</u>

The University incurred operating lease expenses of \$965 and \$995 for the years ended June 30, 2023 and 2022, respectively. The statement of financial position includes right-of-use lease assets of \$950 and \$1,117, reported in prepaid expenses and other assets, and right-of-use liabilities of \$862 and \$979, reported in deferred revenues and deposits, for the years ended June 30, 2023 and 2022, respectively.

The University is obligated under a guarantee bond agreement with the Province of Alberta to provide educational services in the Province. Under the terms of the agreement, the obligation becomes null and void if all required services are completed by the University. As of June 30, 2023 the University is scheduled to provide the services as agreed upon, and no liability has been recorded.

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 changes in net assets.

UNIVERSITY OF PORTLAND
NOTES TO FINANCIAL STATEMENTS

June 30, 2023 (with comparative financial information as of June 30, 2022)
(in thousands)

NOTE 9 - LINE OF CREDIT

The University has an annually renewable line of credit for a total amount of \$22,700, of which \$7,700 is earmarked for two letters of credit related to construction projects, and \$15,000 is available for operational liquidity. The line of credit was renewed during the year ended June 30, 2023 and is payable on demand, or on January 31, 2024 if no demand is made. Interest is at 1.86%, plus the greater of 0% or the one month forward-looking term rate based on the secured overnight financing rate (SOFR) at the time of borrowing. The line of credit agreement is secured by the assets of the University.

NOTE 10 - BONDS PAYABLE

In May 2015, the University issued State of Oregon, Oregon Facilities Authority (University of Portland Projects) 2015 Series A and Series B bonds for \$69,645 and \$21,645, respectively, at a premium totaling \$5,503. 2015 Series A and Series B bonds are secured by investments and revenues without donor restrictions. A portion of the proceeds was used to refund 2007 series bonds, and the remaining proceeds were used for various building improvement and expansion projects. Bonds payable consist of the following at June 30, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
2015 Series A, payable in annual principal installments ranging from \$2,345 to \$5,345 beginning in 2027, with interest payable semiannually at rates ranging from 3.25% to 5.00%, due 2045	\$ 69,645	\$ 69,645
2015 Series B, payable in annual principal installments ranging from \$2,100 to \$2,280, with interest payable semiannually at 4.10%, due 2027	6,595	8,615
	<u>76,240</u>	<u>78,260</u>
Add unamortized premium	2,826	3,578
Total bonds payable	<u>\$ 79,066</u>	<u>\$ 81,838</u>

Principal payments on bonds payable are as follows:

<u>Fiscal Years Ending June 30,</u>	<u>Payments</u>
2024	\$ 2,100
2025	2,190
2026	2,280
2027	2,370
2028	2,490
Thereafter	64,810
	<u>\$ 76,240</u>

Interest costs on bonds payable for the years ended June 30, 2023 and June 30, 2022 was approximately \$3,354 and \$3,427, respectively, of which \$197 and \$138 was capitalized. The remaining interest expense is included in various functional expense categories in the statement of activities.

The loan agreement associated with the 2015 Series A and Series B bonds contains a covenant that requires the University to maintain an unrestricted debt service coverage ratio of 1:1 annually for each fiscal year.

NOTE 11 - RETIREMENT PLAN EXPENSE

The University has a 403(b) defined contribution retirement plan which provides retirement benefits to eligible personnel through TIAA. 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, 2023 and 2022 was approximately \$2,922 and \$4,661, respectively, and is recognized as benefits expense in various functional categories.

UNIVERSITY OF PORTLAND
NOTES TO FINANCIAL STATEMENTS

June 30, 2023 (with comparative financial information as of June 30, 2022)
(in thousands)

NOTE 12 - FUNCTIONAL EXPENSES

The table below presents natural categories of expenses and their allocation by functional category.

	Year ended June 30, 2023					
	Instruction, Research, & Academic Support	Student Services	Auxiliary Enterprises	Institutional Support	Support Services	Total Expenses
Salaries and wages	\$ 37,571	10,906	1,273	8,889	6,012	\$ 64,651
Employee benefits	11,331	3,185	1,196	2,976	2,421	21,109
Services purchased	2,585	3,687	6,889	5,175	1,991	20,327
Supplies	2,217	1,616	97	292	655	4,877
Depreciation	4,030	2,061	3,460	194	2,690	12,435
Interest Expense	929	618	1,396	120	94	3,157
Other	3,612	6,910	308	3,842	5,740	20,412
	<u>62,275</u>	<u>28,983</u>	<u>14,619</u>	<u>21,488</u>	<u>19,603</u>	<u>146,968</u>
Allocation of support services	8,354	3,983	6,190	1,076	(19,603)	-
Total functional expenses	<u>\$ 70,629</u>	<u>32,966</u>	<u>20,809</u>	<u>22,564</u>	<u>-</u>	<u>\$ 146,968</u>
	Year ended June 30, 2022					
	Instruction, Research, & Academic Support	Student Services	Auxiliary Enterprises	Institutional Support	Support Services	Total Expenses
Salaries and wages	\$ 37,543	10,926	1,261	8,741	6,231	\$ 64,702
Employee benefits	12,289	3,729	1,221	3,096	2,694	23,029
Services purchased	3,240	3,121	7,568	5,153	1,858	20,940
Supplies	2,567	1,446	81	369	705	5,168
Depreciation	4,071	2,032	4,209	327	1,176	11,815
Interest Expense	954	616	1,440	123	156	3,289
Other	4,906	9,907	108	3,393	4,569	22,883
	<u>65,570</u>	<u>31,777</u>	<u>15,888</u>	<u>21,202</u>	<u>17,389</u>	<u>151,826</u>
Allocation of support services	7,254	3,328	5,594	1,213	(17,389)	-
Total functional expenses	<u>\$ 72,824</u>	<u>35,105</u>	<u>21,482</u>	<u>22,415</u>	<u>-</u>	<u>\$ 151,826</u>

Fundraising expenses of \$2,046 and \$1,772, exclusive of expenditures for alumni relations and news and publications, are included in general institutional support expenses for the years ended June 30, 2023 and 2022, respectively.

NOTE 13 - ENDOWMENT AND FUNDS FUNCTIONING AS ENDOWMENT

As of June 30, 2023, the University's endowment consists of approximately 570 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.

UNIVERSITY OF PORTLAND

NOTES TO FINANCIAL STATEMENTS

June 30, 2023 (with comparative financial information as of June 30, 2022)
(in thousands)

NOTE 13 - ENDOWMENT AND FUNDS FUNCTIONING AS ENDOWMENT *Continued*

Interpretation of relevant law

The State of Oregon has enacted the Uniform Prudent Management of Institutional Funds Act (UPMIFA), the provisions of which apply to endowment funds. The Board of Regents of the University has interpreted UPMIFA as requiring the preservation of the fair value of the original gift, as of the gift date, of donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the University classifies as net assets with donor restrictions (a) the original value of gifts donated to the perpetual endowment, (b) the original value of subsequent gifts to the perpetual endowment, and (c) accumulations to the perpetual endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

The remaining portion of the donor-restricted endowment fund, generally made up of cumulative undistributed investment gains, is classified as net assets with donor restrictions until those amounts are appropriated for expenditure by the University in a manner consistent with the standard of prudence described by UPMIFA. In making a determination to appropriate or accumulate these funds, the University considers the following factors:

1. The duration and preservation of the fund
2. The purposes of the University and the donor-restricted endowment fund
3. General economic conditions
4. The possible effect of inflation and deflation
5. The expected total return from income and appreciation of investments
6. Other resources of the University
7. The investment policies of the University

Return objectives and risk parameters

The University has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the University must hold in perpetuity or for a donor-specified period, as well as those funds designated by the board to function as endowments. Under this policy, as approved by the Board of Regents, the endowment assets are invested in a manner that is intended to produce long-term results that meet or exceed the aggregate amount needed to support both the endowment spending policy and growth in principal commensurate with the rate of inflation.

Strategies employed for achieving objectives

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

Spending policy and how the investment objectives relate to spending policy

The University has a policy of appropriating for distribution each year 4.5% of the endowment fund's average market value over the prior twelve quarters, through the calendar year-end preceding the fiscal year in which the distribution is planned. In establishing this policy, the University considered the long-term expected return on its endowment, which is expected to exceed this appropriation by at least the general rate of inflation. This is consistent with the University's objective to maintain the purchasing power of endowment assets held in perpetuity, or for a specified term, as well as to provide additional real growth through new gifts and investment. An additional 1.5% appropriation was applied to funds generating revenue without donor restrictions and budget-relieving revenue for the year ended June 30, 2023.

Funds with Deficiencies

The fair value of assets associated with individual donor-restricted endowment funds may at times fall below the level that the donor or UPMIFA requires the University to maintain as a fund of perpetual duration. Deficiencies of this nature were \$168 and \$76 as of June 30, 2023 and 2022, respectively. Funds with deficiencies had a total fair value of \$1,992 and a historic gift value of \$2,160 as of June 30, 2023, and a total fair value of \$1,396 and a historic gift value of \$1,472 as of June 30, 2022.

UNIVERSITY OF PORTLAND
NOTES TO FINANCIAL STATEMENTS

June 30, 2023 (with comparative financial information as of June 30, 2022)
(in thousands)

NOTE 13 - ENDOWMENT AND FUNDS FUNCTIONING AS ENDOWMENT *Continued*

These deficiencies generally resulted from unfavorable market fluctuations that occurred after the investment of new donor-restricted contributions. Under UPMIFA future expenditures from funds with deficiencies are subject to the same criteria used in appropriation determinations - see discussion under Interpretation of Relevant Law.

Endowment net asset composition by type of fund consists of the following as of June 30, 2023 and June 30, 2022:

	2023			2022		
	Without donor restrictions	With donor restrictions	Total	Without donor restrictions	With donor restrictions	Total
Funds restricted in perpetuity	\$ -	118,201	118,201	\$ -	107,860	107,860
Funds functioning as endowment	42,562	-	42,562	44,168	-	44,168
Accumulated endowment gains	-	140,129	140,129	-	146,961	146,961
	<u>\$ 42,562</u>	<u>258,330</u>	<u>300,892</u>	<u>\$ 44,168</u>	<u>254,821</u>	<u>298,989</u>

Changes in endowment net assets for the years ended June 30, 2023 and June 30, 2022 are as follows:

	2023			2022		
	Without donor restrictions	With donor restrictions	Total	Without donor restrictions	With donor restrictions	Total
Beginning endowment net assets	\$ 44,168	254,821	298,989	\$ 49,369	273,037	322,406
Net investment returns	528	2,911	3,439	(4,595)	(17,669)	(22,264)
Contributions	-	10,341	10,341	723	2,766	3,489
Appropriation for expenditure	(2,025)	(9,553)	(11,578)	(1,363)	(5,342)	(6,705)
Transfers from trusts and annuities	-	-	-	-	2,034	2,034
Other changes	(109)	(190)	(299)	34	(5)	29
Ending endowment net assets	<u>\$ 42,562</u>	<u>258,330</u>	<u>300,892</u>	<u>\$ 44,168</u>	<u>254,821</u>	<u>298,989</u>

NOTE 14 - NET ASSETS

Net assets subject to donor-imposed restrictions are as follows at June 30, 2023 and 2022:

	2023	2022
Purpose and time restricted:		
Charitable gift annuities	\$ 276	\$ 229
Charitable remainder trusts	160	163
Unappropriated appreciation on perpetual endowments	140,129	146,961
Gifts and bequests restricted for investment in property, plant, and equipment	26,781	34,912
Scholarships	2,113	1,407
Loan funds	8,051	7,691
Other purpose and time restrictions	6,123	3,977
Total net assets with donor restrictions - purpose and time restricted	<u>183,633</u>	<u>195,340</u>
Perpetual in nature:		
Endowment funds	118,201	107,860
Charitable gift annuities	528	445
Charitable remainder trusts	2,191	2,118
Total net assets with donor restrictions - perpetual in nature	<u>120,920</u>	<u>110,423</u>
Total net assets with donor restrictions	<u>\$ 304,553</u>	<u>\$ 305,763</u>

UNIVERSITY OF PORTLAND
 NOTES TO FINANCIAL STATEMENTS

June 30, 2023 (with comparative financial information as of June 30, 2022)
 (in thousands)

NOTE 15 - NET ASSETS RELEASED FROM RESTRICTION

Net assets are released from donor restrictions by incurring expenses satisfying the restricted purposes, placing depreciable assets into service, or by occurrence of events other specified by the donors, as follows for the years ended June 30, 2023 and June 30, 2022:

	<u>2023</u>	<u>2022</u>
Scholarships	\$ 7,502	\$ 5,535
Grants and contracts	451	586
Other	3,516	963
Operating net assets released from restrictions	<u>11,469</u>	<u>7,084</u>
Capital projects	9,469	10,678
Total net assets released from restrictions	<u>\$ 20,938</u>	<u>\$ 17,762</u>

NOTE 16 - CONCENTRATION OF CREDIT RISK

Financial instruments that potentially subject the University to concentrations of credit risk consist principally of cash and cash equivalents, investments, and accounts and loans receivable. The University places substantially all of its cash and liquid investments with financial institutions; however, cash balances generally exceed federally insured limits. Marketable securities, consisting of both debt and equity instruments, are generally placed in a variety of managed funds administered by an investment manager. Student receivables and loans are due from a variety of sources. As of June 30, 2023 and 2022, management considers the University to have no significant concentration of credit risk.

Beneficial interest in assets held by others represents 41% and 40% of total assets at June 30, 2023 and 2022, respectively.

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