Loyola Marymount University

Reports on Federal Awards in Accordance with the Uniform Guidance

May 31, 2023

EIN: 95-1643334

Loyola Marymount University
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Report of Independent Auditors

To the Board of Trustees of Loyola Marymount University

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Loyola Marymount University (the "University"), which comprise the statements of financial position as of May 31, 2023 and 2022, and the related statements of activities for the year ended May 31, 2023 and of cash flows for the years ended May 31, 2023 and 2022, including the related notes (collectively referred to as the "financial statements").

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the University as of May 31, 2023 and 2022, and the changes in its net assets for the year ended May 31, 2023 and its cash flows for the years ended May 31, 2023 and 2022 in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Other Matter

We previously audited the statement of financial position as of May 31, 2022, and the related statements of activities and of cash flows for the year then ended (the statement of activities is not presented herein), and in our report dated October 3, 2022, we expressed an unmodified opinion on those financial statements. In our opinion, the information set forth in the accompanying summarized financial information for the year ended May 31, 2022 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Responsibilities of Management for the Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with US GAAS 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 financial statements.

In performing an audit in accordance with US 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 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.

Supplemental Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying schedule of expenditures of federal awards for the year ended May 31, 2023 is presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and is not a required part of the 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the 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 is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 3, 2023 on our consideration of the 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 for the year ended May 31, 2023. 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 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 considering the University's internal control over financial reporting and compliance.

PricewaterhouseCoopers LLP

Los Angeles, California
October 3, 2023

Loyola Marymount University
Statements of Financial Position
May 31, 2023 and 2022

(in thousands)

	2023	2022
Assets		
Cash and cash equivalents	$ 161,856	$ 136,767
Accounts receivable		
Tuition & fees, less allowance for doubtful accounts of $2,607 in 2023 and $2,350 in 2022	2,402	3,516
Other	12,686	17,154
Pledges receivable, net	28,289	20,827
Notes receivable, less allowance for doubtful accounts of $1,633 in 2023 and $1,395 in 2022	22,596	25,582
Investments	718,336	710,643
Prepaid expenses, deferred charges and other assets	15,287	16,168
Assets whose use is limited by bond indentures	4,913	6,871
Right of use assets	15,516	17,536
Property, plant and equipment, net	736,845	721,167
Total assets	$ 1,718,726	$ 1,676,231
Liabilities and net assets		
Liabilities		
Accrued payroll expense	$ 17,372	$ 15,471
Accounts payable and accrued expenses	42,456	56,469
Accrued interest expense	59,333	58,542
Deferred revenue and deposits	31,762	28,741
Lease liability	17,059	18,485
Debt outstanding, net	186,442	195,875
Loan funds returnable to donor	1,170	1,170
U.S. government grants refundable	4,061	5,079
Annuity liabilities and assets held for others	2,258	2,069
Total liabilities	361,913	381,901
Commitments and contingencies (Note 16)		
Net assets		
Without donor restrictions	829,128	786,515
With donor restrictions		
For time or purpose	250,336	257,149
In perpetuity	277,349	250,666
Total with donor restrictions	527,685	507,815
Total net assets	1,356,813	1,294,330
Total liabilities and net assets	$ 1,718,726	$ 1,676,231

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

Loyola Marymount University
Statement of Activities
Year Ended May 31, 2023
(With Summarized Financial Information for the Year Ended May 31, 2022)

(in thousands)

	Without donor restrictions	With donor restrictions	2023 Total	2022 Total
Revenues, gains and other additions				
Tuition and fees (net of scholarships)	$ 366,071	$ -	$ 366,071	$ 349,296
Investment returns designated for operations	15,651	13,233	28,884	25,350
Contributions and pledges	15,703	2,842	18,545	13,759
Grants	15,403	-	15,403	29,690
Auxiliary enterprise revenue, net	59,914	-	59,914	50,858
Other revenue	9,626	-	9,626	6,652
Net assets released from restrictions	15,112	(15,112)	-	-
Total operating revenues, gains, and other changes	497,480	963	498,443	475,605
Expenses				
Instruction	164,163	-	164,163	154,078
Research	11,623	-	11,623	12,094
Academic support	50,607	-	50,607	40,336
Library	15,954	-	15,954	16,652
Student services	80,886	-	80,886	84,036
Institutional support	84,715	-	84,715	74,092
Auxiliary enterprises	42,369	-	42,369	37,963
Total operating expenses	450,317	-	450,317	419,251
Increase in operating net assets	47,163	963	48,126	56,354
Non-operating revenues and expenses				
Contributions for non-operating purposes	-	26,204	26,204	13,810
Contributions for acquisition of capital assets	684	6,925	7,609	3,038
Investment returns after amounts designated for current operations	(12,284)	(12,797)	(25,081)	(1,396)
Other non-operating income	5,625	-	5,625	2,104
Net assets released from restrictions	1,264	(1,264)	-	-
Donor redesignations	161	(161)	-	-
Non-operating revenues (expenses), net	(4,550)	18,907	14,357	17,556
Increase in net assets	42,613	19,870	62,483	73,910
Net assets				
Beginning of year	786,515	507,815	1,294,330	1,220,420
End of year	$ 829,128	$ 527,685	$ 1,356,813	$ 1,294,330

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

Loyola Marymount University
Statements of Cash Flows
Year Ended May 31, 2023 and 2022

(in thousands)

	2023	2022
Cash flows from operating activities		
Increase in net assets	$ 62,483	$ 73,910
Adjustments to reconcile increase (decrease) in net assets to net cash provided by operating activities		
Depreciation and amortization	29,941	30,005
Realized and unrealized (gain)/loss on investments	6,243	(16,758)
Loan receivable forgiveness	1,888	1,411
Provisions for (recovery of) doubtful notes receivable	238	26
Non-cash contributions received	(1,173)	(4,857)
Contributions to be used for fixed assets	(7,480)	(901)
Contributions to be used for long-term investment	(26,062)	(13,615)
Proceeds from sale of donated securities	769	1,306
Actuarial change in trust liability	107	85
Changes in assets and liabilities:		
Tuition and fees receivable from students, net	1,114	(215)
Accounts receivable, other	4,215	(1,750)
Pledges receivable, net	(568)	1,399
Prepaid expenses, deferred charges and other assets	1,370	(2,545)
Accounts payable and accrued expenses	(10,758)	3,150
Deferred revenue and deposits	2,994	3,542
Annuity liabilities and assets held for others	237	(86)
Net cash provided by operating activities	65,558	74,107
Cash flows from investing activities		
Purchases of plant, property and equipment	(47,630)	(36,945)
Purchases of investments	(107,464)	(199,519)
Proceeds from sales and maturities of investments	93,940	208,808
Reimbursement from CEFA 2018 bonds	1,958	7,916
Disbursements of loans to students and faculty	(2,908)	(3,401)
Repayments of loans by students and faculty	3,768	4,218
Net cash used in investing activities	(58,336)	(18,923)
Cash flows from financing activities		
Repayment of CEFA bonds payable	(7,880)	(11,102)
Repayment of U.S. government grants refundable	(1,018)	(1,375)
Contributions to be used for fixed assets	3,870	5,611
Contributions to be used for long-term investment	23,049	9,319
Payments made under split interest agreements	(154)	(155)
Net cash provided by financing activities	17,867	2,298
Net increase (decrease) in cash and cash equivalents	25,089	57,482
Cash and cash equivalents		
Beginning of year	136,767	79,285
End of year	$ 161,856	$ 136,767
Supplementary cash flow information		
Non-cash acquisition of plant	$ 2,741	$ 3,304
Securities received as gifts	1,173	3,640
Interest paid	7,574	7,924
Non-cash acquisition of other assets	-	1,217

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

1. Basis of Presentation and Summary of Significant Accounting Policies

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

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

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

- Net Assets without donor restrictions – Net assets not subject to donor-imposed stipulations; donor-restricted contributions whose restrictions are met in the same reporting period as the contribution is received; and quasi endowment net assets designated by the Board of Trustees or management for specific purposes (known as quasi endowment net assets).

- Net assets with donor restrictions for time or purpose – Net assets subject to donor-imposed stipulations that will be met either by actions of the University pursuant to those stipulations and/or by the passage of time.

- Net assets with donor restrictions in perpetuity – Net assets subject to donor-imposed stipulations that require the University maintain them in perpetuity. Generally, the donors of these assets permit the University to use all, or part of the income earned on related investments for general or specific purposes.

Summarized Comparative Information
The financial statements and notes include certain prior-year summarized comparative information in total, but not by net asset category. Such information does not include sufficient detail to constitute a presentation in conformity with GAAP. Accordingly, such information should be read in conjunction with the University's financial statements for the year ended May 31, 2022 from which the summarized information was derived.

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

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

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

Accounts Receivable

Tuition and fees receivable represent amounts due for current or past semesters for which students have registered; amounts collected in advance are deferred and recognized when earned. Management periodically reviews and assesses the collectability of receivables and provides an allowance when collection is doubtful. Historical bad debt experience has been consistent with management's expectations.

Other accounts receivable includes receivables from insurance policies and charitable remainder trusts where the University is named a beneficiary but is not the trustee. As of May 31, 2023 and 2022, the balances of these beneficial interests were $1,645,000 and $2,533,000, respectively. Present value of the estimated future cash flows from the trusts approximates the fair value of the underlying assets. Insurance policies are recorded at cash surrender value.

Pledges Receivable

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

Notes Receivable

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

Investments

Investments are stated at fair value (see Note 10). Unrealized and realized gains and losses on investments are reported as increases or decreases to net assets without donor restrictions, unless restricted by the donor by time or purpose or in perpetuity (see Note 11). Investment income includes rental income, interest income, royalties, dividends and other investment income (see Note 4). Unrealized and realized gains and losses on investments and investment income are reported net of investment management fees. Real estate investments and securities received by gift or bequest are recorded at fair value on the date acquired. The majority of the University's investments are included in the Endowment Fund, which is a commingled fund composed of various types of investment assets, and largely pooled on a market value per unit basis. The total fair value of the Endowment Fund assets at May 31, 2023 and 2022 was $651,894,000 and $637,303,000, respectively.

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

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

In the event that an endowment falls underwater, current management policy is to allow spending on the endowment in accordance with the University spending policy. The aggregate underwater amount, if any, is classified as a reduction of net assets with donor restrictions.

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

For the year ended May 31, 2022, the gross endowment pool distribution under the spending policy was $25,766,000. Included in investment returns designated for operations is a portion of the endowment distribution designated for operations of $25,498,000 and other non-endowment investment returns of ($148,000). The remaining endowment distribution of $268,000 is recorded in investment returns after amounts designated for current operations in the Statement of Activities. Returns remaining after the annual distribution are reinvested in the endowment pool as Board-designated or with donor restrictions for time or purpose endowment funds.

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

Assets Whose Use is Limited by Bond Indentures
As of May 31, 2023 and 2022, the University had unspent bond proceeds related to the Series 2018A Bonds. These proceeds are designated for construction and improvement of facilities. They are held at U.S. Bank, the Bond Trustee, and consist of cash equivalents and are considered Level 1 under the fair value hierarchy.

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

Asset	**Life**
Buildings	40-60 years
Equipment	5-20 years
Library books	20 years
Computer software	5-12 years
Leasehold and building improvements	20 years

The University uses a half-year convention for all assets except new construction of buildings for which depreciation begins from the date they are placed in service. Beginning FY 2022, the University uses a full month convention for all assets except new construction of buildings for which depreciation begins from the date they are placed in service. Depreciation expense for fiscal years 2023 and 2022 was $31,389,000 and $30,980,000, respectively.

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

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

The University records conditional asset retirement obligations associated with the legally required removal and disposal of certain hazardous materials, primarily asbestos, present in its facilities. When an asset retirement obligation is identified, the University records the fair value of the obligation as a liability. The fair value of the obligation is also capitalized as property, plant and equipment and then amortized over the estimated useful life of the associated asset. The fair value of the conditional asset retirement obligation is estimated using a probability weighted, discounted cash flow model. The present value of future estimated cash flows is calculated using a credit-adjusted, interest rate applicable to the University in order to determine the fair value of the conditional asset retirement obligations. As of May 31, 2023 and 2022, $608,000 and $648,000, respectively, of conditional asset retirement obligations are included within accounts payable and accrued expenses in the Statements of Financial Position (see Note 6).

Credit Concentration

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

Revenue Recognition

The University's revenue recognition policies are as follows:

- <u>Tuition and fees (net of scholarships) and room and board</u> – The University's operating revenue is primarily derived from academic programs provided to students including undergraduate and graduate programs and residential services. Tuition and fees and room and board revenues are recognized in an amount that reflects the consideration the University is entitled to in exchange for providing educational, housing and dining services. The University's transaction price is determined based on the gross price, net of any scholarships and refunds. The University awarded scholarships in the amounts of $154,315,000 and $146,508,000 for the periods ended May 31, 2023 and May 31, 2022, respectively.

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

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

May 31, 2023 and 2022. Students who withdraw may receive a full or partial refund in accordance with the University's refund policy.

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

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

- Grants – Revenues from grant agreements are considered non-exchange transactions and are reported as increases in net assets without donor restrictions as the associated barriers are overcome, which generally is as allowable expenditures under such agreements are incurred. The University has elected a policy to report contributions where the condition and restriction are met in the same reporting period within net assets without donor restrictions.

- Auxiliary enterprise revenue – Auxiliary enterprise revenue consists primarily of fees for room and board as previously discussed under *Tuition and fees (net of scholarships) and room and board*. Revenues from supporting services, such as conferences, dining facilities, parking operations, childcare center and bookstores are recorded at a point in time when the customer obtains control of the promised product or service. Amounts received in advance of delivery of products or services are recorded as deferred revenue.

- Other revenue – Other revenue includes income primarily generated from athletic activities, lab fees and consulting. Amounts received are recorded at the time of transaction. Amounts not received by year end but earned are accrued and are included in accounts receivable – other.

In response to the COVID-19 pandemic, the United States Congress passed legislative acts creating Higher Education Emergency Relief Funds (HEERF) I, II & III which have provided institutions of higher education with funding. As of May 31, 2023 the University has been awarded a total of $24,855,000. The University has recognized funding from the awards in financial statements for the years ended May 31, 2023 and 2022, totaling $1,532,000 and $17,870,000, respectively, in grant revenue as a result of the federal funding received. The University directed the funds to cover students' expenses related to the disruption of campus operations due to the coronavirus, including eligible expenses such as food, housing, course materials, technology, health care, childcare, reimbursement for room and board and COVID-19 testing kits for faculty, staff and students. There are no unrecognized funds as of May 31, 2023.

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

Included in institutional support expense in the Statement of Activities for the years ended May 31, 2023 and 2022, is approximately $13,583,000 and $10,880,000 respectively of direct expenses related to fundraising.

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

New Accounting Pronouncements

In August 2018, the FASB issued guidance on *Disclosure Framework – Changes to the Disclosure Requirements for Defined Benefit Plans.* The guidance adds requirements for an entity to disclose additional information including a narrative description of the reasons for significant gains and losses affecting the benefit obligation for the period and an explanation of any other significant changes in the benefit obligation or plan assets that are not otherwise apparent in the other disclosures required by ASC 715. The guidance is effective for the annual reporting periods beginning after December 15, 2021. This guidance has been adopted and the applicable updates have been made to the disclosure included in Note 7.

In September 2020, the FASB issued guidance *Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets.* The guidance increases transparency of contributed nonfinancial assets for not-for-profit entities through enhancements to presentation and disclosure. The guidance is effective for annual reporting periods beginning after June 15, 2021. There is no material impact on the financial statements from the adoption of the guidance.

In June 2016, the FASB issued ASU No. 2016-13 *Measurement of Credit Losses on Financial Instruments (Topic 326)* which replaces the current GAAP incurred loss impairment methodology with one that reflects expected credit losses and requires consideration of a broader range of reasonable and supportable information to inform credit loss estimates. The guidance is effective for annual reporting periods beginning after December 15, 2022. Management is currently evaluating the impact this will have on the University's future financial statements.

2. Pledges Receivable

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

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

	2023	2022
In one year or less	$ 15,917	$ 12,133
Between one and five years	11,775	10,440
Over five years	4,200	300
Total pledges receivable	31,892	22,873
Allowance for uncollectible pledges	(1,008)	(1,150)
Discount to present value	(2,595)	(896)
Total pledges receivable, net	$ 28,289	$ 20,827

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

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

Pledges receivable at May 31, 2022 have the following designations (*in thousands)*:

	Pledges Receivable Balance	Allowance	Discount	Pledges Receivable Balance, Net
Endowment for academic programs and activities	$ 7,490	$ -	$ (433)	$ 7,057
Endowment for scholarships	2,401	(434)	(131)	1,836
Plant, property and equipment	7,018	(225)	(134)	6,659
Departmental programs and activities	5,964	(491)	(198)	5,275
Total pledges receivable	$ 22,873	$ (1,150)	$ (896)	$ 20,827

3. Notes Receivable

Student Loans

The University makes uncollateralized loans to students based on financial need. Student loans are funded through the Federal Perkins Loan Program, Weingart Foundation Loan Program, and institutional resources. At May 31, 2023 and 2022, net student loans represented approximately 0.9% and 1.1% of total assets, respectively.

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

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

At May 31, 2022, student loans and the related allowance for doubtful accounts consist of the following (*in thousands*):

	Student Receivable Balance	Related Allowance	Student Receivable Balance, net
Perkins	$ 4,494	$ (255)	$ 4,239
Weingart	11,932	(914)	11,018
Institutional	2,948	(226)	2,722
Total	$ 19,374	$ (1,395)	$ 17,979

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

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

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

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

	2023 Student Loan Allowance	2022 Student Loan Allowance
Beginning Balance - June 1	$ (1,395)	$ (1,369)
Change in estimated reserve requirement	(247)	93
Net charge-offs	106	13
Recoveries	(97)	(132)
Ending Balance - May 31	$ (1,633)	$ (1,395)

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

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

At May 31, 2022, the following amounts were due under the student loan program (*in thousands*):

	Current	1-60 Days Past Due	60-90 Days Past Due	90-120 Days Past Due	120 + Days Past Due	Total Student Loans Receivable
Perkins	$ 3,522	$ 112	$ 101	$ 8	$ 751	$ 4,494
Weingart	10,027	472	54	35	1,344	11,932
Institutional	2,426	86	24	12	400	2,948
						$ 19,374

Faculty and Staff Loans

As part of a program to attract and retain excellent faculty, the University provides home mortgage financing assistance. Mortgage notes receivable amounting to $6,896,000 and $7,518,000 were outstanding at May 31, 2023 and 2022, respectively, and are collateralized by deeds of trust on properties concentrated in the region surrounding the University. Mortgage loans are granted up to $150,000, interest free per eligible faculty member. The loan amounts are forgiven over a 10-year period, following one-year participation in the program, as long as the faculty member remains employed at the University per the terms of the agreement. If the faculty member leaves the University prior to the full forgiveness of the loan, the unforgiven balance of the loan is to be repaid to the University. In addition, the University provides both staff and faculty with computer loans as a benefit of employment. Notes of $60,000 and $85,000 were outstanding at May 31, 2023 and 2022, respectively, related to employee computer loans. No allowance for doubtful accounts has been recorded against faculty and staff loans based on collection histories.

The faculty and staff computer loan amount represents less than 1% of total assets at both May 31, 2023 and 2022. There were no amounts past due under either program.

4. Investments

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

	2023	2022
Investment cash equivalents	$ 32,857	$ 41,333
Government bonds	460	562
Common stock	613	694
Mutual funds	131,481	131,127
Commingled funds	174,350	162,982
Alternative investment funds:		
Private equity/Venture capital	130,567	128,148
Hedge funds	154,597	148,989
Natural resources	15,481	20,281
Real estate	51,258	55,155
Distressed	23,538	17,957
Real property and other	3,134	3,415
	$ 718,336	$ 710,643

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

Approximately 47% of the University's investments at May 31, 2023 and May 31, 2022 are invested (directly or indirectly) in money market funds or publicly traded equities, which are listed on national exchanges, quoted on NASDAQ, or in the over-the-counter market; treasury and agency bonds of the U.S. government; and investment-grade corporate bonds for which an active trading market exists.

The University's alternative investment funds consist of private equity, venture capital, natural resources, distressed debt, real estate and absolute return hedge funds. Approximately 53% of the University's investments as of May 31, 2023 and May 31, 2022 are invested with various limited partnerships that invest (directly or indirectly) in the securities of companies that are not immediately liquid, such as venture capital and buyout firms, and in real estate limited partnerships that have investments in various types of properties.

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

	2023	2022
Unrealized and realized gains/(losses)	$ (5,577)	$ 16,673
Interest income, dividends, royalties and rents	12,100	9,069
Management fees and other investment related expenses	(2,720)	(1,788)
Total net gains on investments	3,803	23,954
Less: Investment returns designated for current operations	(28,884)	(25,350)
Investment returns after amounts designated for current operations	$ (25,081)	$ (1,396)

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

5. Property, Plant and Equipment

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

	2023	2022
Land	$ 73,258	$ 57,944
Buildings	677,195	676,031
Equipment	150,671	141,201
Library books	105,137	100,423
Computer software	29,082	28,241
Leasehold improvements	57,309	57,281
Building improvements	143,098	129,761
Construction-in-progress	10,668	8,469
Total cost	1,246,418	1,199,351
Accumulated depreciation	(509,573)	(478,184)
Plant, property and equipment, net	$ 736,845	$ 721,167

Fully depreciated assets still in use are $164,833,000 and $153,379,000 at May 31, 2023 and 2022, respectively.

6. Accounts Payable and Accrued Expenses

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

	2023	2022
Vendor accounts payable and accruals	$ 21,117	$ 29,858
Postretirement benefits liability	6,454	11,823
Accrued vacation expense	9,770	9,266
Workers' compensation self-insurance liabilities	4,507	4,874
Asset retirement obligations	608	648
	$ 42,456	$ 56,469

7. Retirement and Other Postretirement Benefits

The University contributes to a retirement plan on behalf of eligible University employees. Under the defined contribution plan, the University and plan participants make contributions to purchase individual annuities or to participate in a variety of mutual funds. Benefits commence upon retirement and pre-retirement survivor death benefits are provided. Amounts expensed for the University's share of these costs were approximately $15,239,000 and $14,736,000 during the years ended May 31, 2023 and 2022, respectively. The University suspended the University matching contribution for the period September 1, 2021 through May 31, 2022 and was reestablished June 1, 2022.

The University currently provides certain health care benefits for retired University employees. Employees become eligible for those benefits if they reach retirement age while employed by the University and are at least age 65 with 10 years of service. As of May 31, 2023 and 2022, a net postretirement benefit liability of $6,454,000 and $11,823,000, respectively, is included in accounts payable and accrued expenses (see Note 6). The Statement of Activities includes the service cost component of the net periodic benefit cost which is allocated among the functional expense classifications. The remaining change in net assets is recorded in other non-operating income in the Statement of Activities. The University's postretirement benefits are funded on a pay-as-you-go basis; therefore the plan has no assets.

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

	2023	2022
Benefit obligation at beginning of year	$ 11,823	$ 13,462
Service Cost	333	727
Interest Cost	267	356
Benefits paid	(788)	(718)
Actuarial gain	(5,181)	(2,004)
Benefit obligation at end of year	$ 6,454	$ 11,823

In fiscal years 2023 and 2022, the decrease in benefit obligation was primarily due to actuarial gains driven by changes in the mortality rate assumption, the discount rate, changes in health care cost trends, and retirement rates.

The initial health care cost trend rate used to estimate the expected cost of benefits covered by the plan was 6.25% and 5.00% as of May 31, 2023 and 2022, respectively. The ultimate cost trend rate expected as of May 31, 2023 and 2022 is 3.75%. The ultimate cost trend rate as of May 31, 2023 and 2022 is expected to be reached in the year 2071.

The discount rates used to estimate the benefit obligation as of May 31, 2023 and 2022 are 4.85% and 4.05%, respectively.

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

	2023	2022
Service cost	$ 333	$ 727
Interest cost	267	356
Amortization of prior service cost	-	23
Amortization of (gains) or losses	(482)	-
Net periodic benefit cost	$ 118	$ 1,106

The discount rates used to determine the net periodic cost for the years ended May 31, 2023 and 2022 are 4.05% and 2.68%, respectively.

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

	2023	2022
Net assets without donor restrictions at beginning of year	$ 2,732	$ 390
Net gain	5,181	2,319
Amortization of net (gain)	(482)	-
Amortization of prior service cost	-	23
Net assets without donor restrictions at end of year	$ 7,431	$ 2,732

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

	2023	2022
Items not yet recognized as a component of net periodic benefit cost		
Prior service cost	$ -	$ -
Net (gain)	(7,431)	(2,732)
Total	$ (7,431)	$ (2,732)

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

Fiscal Year Ending May 31,	
2024	661
2025	605
2026	580
2027	502
2028	424
2028-2032	1,953

8. Debt Outstanding

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

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

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

Total debt outstanding at May 31, 2022 is as follows (*in thousands*):

Series	**Fiscal Year Maturity Dates**	**Type of Bond**	**Interest Rates**	**Principal Outstanding**
2001A	2022 - 2040	Capital appreciation bonds	5.51% - 5.83%	$ 25,220
2013A	2022 - 2043	Revenue bonds	1.67% - 4.73%	30,140
2018A	2022 - 2048	Revenues bonds, taxable	4.84%	29,210
2018B	2022 - 2048	Revenue bonds	4.00% - 5.00%	55,480
2019	2022 - 2040	Revenue bonds	3.00% - 5.00%	44,250
		Total CEFA bond principal outstanding		184,300
		Total unamortized premium on CEFA borrowings		13,434
		Total amortized cost of CEFA bonds		197,734
		Unamortized deferred issuance costs		(1,859)
		Total long term debt outstanding		$ 195,875

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

Fiscal Year Ending May 31,		
2024	$	7,322
2025		7,370
2026		7,793
2027		7,974
2028		8,162
Thereafter		137,800
	$	176,421

The individual CEFA 2001A serial bonds continue to mature each year with final maturity on October 1, 2039. At May 31, 2023 and 2022, the total outstanding liability for these bonds was $81,651,000 and $82,478,000, respectively, which includes principal and accrued interest.

Total interest expense on debt outstanding for fiscal year 2023 and 2022 was $12,123,000 and $12,988,000, respectively.

The CEFA agreements contain covenants relating to maintenance of University assets, insurance and other general items. In addition, the University must at all times maintain net assets without donor restrictions and net assets with donor restrictions for time or purpose in the aggregate at a market value equal to at least 90% of the outstanding indebtedness. The University is in compliance with all covenants as of May 31, 2023.

9. Leases

The University is the lessee of building space under a non-cancelable operating lease agreement. The lease commencement date was June 1, 2018 and expires May 31, 2030, or May 31, 2040 if all options to extend are exercised. The University is not reasonably certain to exercise the options to extend at this time. The operating lease expense for the years ended May 31, 2023 and 2022 are both $2,546,000. The cash payments recorded for the years ended May 31, 2023 and 2022 are $1,951,000 and $2,293,000, respectively, and are reflected within cash flows from operating activities on the Statements of Cash Flows. The weighted average discount rate is based on the risk free rate of 3%. The lease contains customary escalation clauses and rent abatement entitlements, which are included in the annual aggregate minimum lease payments. Future minimum lease payments are as follows (in thousands):

Fiscal Year Ending May 31,		
2024	$	2,255
2025		2,580
2026		2,683
2027		2,790
2028		2,902
Thereafter		6,156
Total		19,366
Discount to present value		(2,307)
Lease liability at May 31, 2023	$	17,059

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

10. Fair Value Measurements

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

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

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

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

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

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

The table below sets forth the University's assets and liabilities which are fair valued on a recurring basis with their associated categorization into Levels 1, 2 and 3 at May 31, 2022 (*in thousands*):

	Level 1	Level 2	Level 3	Total
Asset classification				
Investment cash equivalents	$ 41,333	$ -	$ -	$ 41,333
Debt securities				
Government bonds		562		562
Equity securities				
Common stock	694			694
Mutual funds				
Fixed income	90,373			90,373
Equity	30,754			30,754
Alternative	10,000			10,000
Real property			3,415	3,415
Investments measured at NAV				533,512
Total investments	173,154	562	3,415	710,643
Other assets: split/beneficial interest			2,533	2,533
Total assets	$ 173,154	$ 562	$ 5,948	$ 713,176

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

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

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

These investments also include those maintained as part of split-interest agreements where the University is not the Trustee but is named as the beneficiary. The beneficial interest in the future cash flows of the split-interest agreements is valued using the income approach, calculated using a discounted cash flow analysis based on the expected annuity payments to be made over the remaining life of each respective beneficial interest. The primary unobservable inputs for beneficial interest in split-interest agreements are the applicable discount rates which range from 3.25%-8.00% and applicable life expectancies ranging from 5-18 years. For the years ended May 31, 2023 and May 31, 2022, the weighted average discount rates were 6.6% and 6.6%, respectively, and the weighted average life expectancy were 10.8 years and 11.4 years, respectively. These assets include the University's interest in life insurance policies that are recorded at cash surrender value and charitable remainder trusts that are recorded at present value of expected proceeds net of any annual distributions. A change in the discount rate of 1% in either direction would not have a material effect on the financial statements.

The methods described above may produce a fair value that may not be indicative of net realizable value or reflective of future values. In addition, while the University believes that its valuation methods are appropriate and consistent with those used by other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in different estimates of fair value at the reporting date.

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

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

The table below sets forth a reconciliation of beginning and ending balances for the fiscal year ended May 31, 2022, separately for each major category of assets, for financial instruments designated as Level 3 (*in thousands)*:

	Beginning Balance	Realized Gains	Unrealized Gains/(Losses)	Purchases	Sales / Maturities	Net Transfers	Ending Balance
Real property	$ 2,831	$ -	$ 584	$ -	$ -	$ -	$ 3,415
Split/Beneficial Interest	4,963	-	(1,213)	-	-	(1,217)	2,533
Total assets	$ 7,794	$ -	$ (629)	$ -	$ -	$ (1,217)	$ 5,948

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

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

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

The following table lists investments in other investment companies as of May 31, 2022 (in limited partnership or trust format) by major category (*in thousands*):

	Strategy	NAV in Funds	# of Funds	Remaining Life	Unfunded Commitments	Redemption Terms and Restrictions
Commingled Funds	Global, long only equities and bonds in LP/Trust format	$ 162,982	5	N/A	N/A	Liquidity ranges from daily to monthly redemptions with 1 to 60 day notice.
Hedge Funds	Absolute return employing long/short, convertible arbitrage, event driven, and distressed strategies	148,989	74	N/A	N/A	Liquidity may be quarterly, annual, or rolling with various notice periods from 45 days up to 180 days. Certain funds may include holdback, gate, and/or side pocket provisions.
Private Equity	Venture and buyout in U.S. and International	128,148	36	0 to 12 years	40,894	No ability to redeem due to structure.
Natural Resources	Private natural resource and energy	20,281	10	0 to 12 years	4,224	No ability to redeem due to structure.
Real Estate/Debt	Private real estate equity	55,155	17	0 to 12 years	28,744	No ability to redeem due to structure.
Special Situations	Opportunistic	17,957	7	0 to 12 years	14,101	No ability to redeem due to structure.
Total		**$ 533,512**	**149**		**$ 87,963**	

11. Net Assets

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

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

	2023	2022
Buildings and equipment	$ 2,534	$ 613
Endowment	226,652	237,817
Pledges (Note 2)	16,240	11,934
Scholarship and program - split/beneficial interest	2,299	4,480
Undesignated - split/beneficial interest	2,611	2,305
	$ 250,336	$ 257,149

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

	2023	2022
Investment in perpetuity, the income from which is expendable to support educational activities	$ 243,350	$ 219,672
Donor-restricted loan funds	21,950	22,100
Pledges restricted in perpetuity (Note 2)	12,049	8,894
	$ 277,349	$ 250,666

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

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

The fair value of the endowment is comprised of the following net asset composition by type of fund as of May 31, 2022, is as follows (*in thousands*):

	Without donor	With donor restrictions		
	restrictions	Time or purpose	Perpetuity	Total
Donor-restricted endowment funds	$ -	$ 108,640	$ 219,835	$ 328,475
Board-designated endowment funds	308,828	-	-	308,828
Total endowment funds	$ 308,828	$ 108,640	$ 219,835	$ 637,303

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

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

Changes in endowment net assets for the year ended May 31,2022 are as follows (*in thousands*):

	Without donor restrictions	With donor restrictions		Total
		Time or purpose	Perpetuity	2022
Endowment net assets, beginning of year	$ 303,864	$ 109,233	$ 210,411	$ 623,508
Total Investment gain net of expenses	12,042	12,564	-	24,606
Contributions	5,498	-	9,457	14,955
Appropriation of endowment returns for expenditure	(12,608)	(13,158)	-	(25,766)
Donor redesignation/transfers	32	1	(33)	-
Endowment net assets, end of year	$ 308,828	$ 108,640	$ 219,835	$ 637,303

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

Net assets without donor restrictions:

	2023	2022
Scholarship support	$ 115,360	$ 110,450
Chair & faculty support	47,020	45,538
Program and operating support	103,154	104,935
Awards	11,947	12,418
Plant	34,140	35,487
Total endowment net assets without donor restrictions	$ 311,621	$ 308,828

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

Net assets with donor restrictions for time or purpose:

	2023	2022
Scholarship support	$ 47,477	$ 54,019
Chair & faculty support	33,449	36,231
Program support	14,523	16,874
Awards	948	1,090
Plant	355	426
Total endowment net assets with donor restrictions for time or purpose	$ 96,752	$ 108,640

Net assets with donor restrictions in perpetuity:

	2023	2022
Scholarship support	$ 133,410	$ 120,021
Chair & faculty support	52,255	48,409
Program support	53,710	47,283
Awards	2,696	2,672
Plant	1,450	1,450
Total endowment net assets with donor restrictions in perpetuity	$ 243,521	$ 219,835

12. Operating Expenses by Natural and Functional Classification

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

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

Expenses by natural and functional classification for the year ended May 31, 2022, were as follows (*in thousands*):

Expenses	Instruction	Research	Academic Support	Library	Student Services	Institutional Support	Auxiliary Enterprises	Total
Salaries & wages	$ 96,161	$ 5,943	$ 18,359	$ 4,593	$ 26,097	$ 36,557	$ 7,386	$ 195,096
Benefits	31,574	1,708	6,080	1,697	9,420	13,226	2,676	66,381
Depreciation	2,868	154	5,585	4,782	7,269	2,712	7,375	30,745
Interest expense	179	-	19	31	1,878	3,011	7,870	12,988
Other operating expenses	23,296	4,289	10,293	5,549	39,372	18,586	12,656	114,041
Total	$ 154,078	$ 12,094	$ 40,336	$ 16,652	$ 84,036	$ 74,092	$ 37,963	$ 419,251

13. Financial Assets and Liquidity Resources

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

	2023	2022
Total assets at year end	$ 1,718,726	$ 1,676,231
Less: plant assets and other non-financial assets	(767,648)	(754,871)
Financial assets at year end	951,078	921,360
Less: Amounts not available to meet general expenditures within one year		
Notes receivable, net	22,596	25,582
Pledges with time or purpose restrictions	24,818	17,066
Investments encumbered by donor or board restrictions, net of anticipated endowment payout	617,465	613,491
Assets whose use is limited by bond indentures	4,913	6,871
Other receivables not due within 12 months	3,801	4,641
Financial assets available at year end for current use	$ 277,485	$ 253,709

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

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

As part of the University's liquidity management, the University maintains a short-term investment portfolio with daily liquidity. During FY 2023, the University held an unsecured working capital line of credit which it could draw upon for $50,000,000 that matures May 30, 2025. Additionally, the University has board designated endowment funds of $311,621,000 and $308,828,000 as of May 31, 2023 and May 31, 2022, respectively. Although the University does not intend to spend from its board-designated endowment funds other than amounts appropriated for general expenditure as part of its annual budget approval and appropriation process, amounts from its board-designated endowment could be made available if necessary, through Board action.

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

14. Scholarships

Scholarships, reported in the Statement of Activities as a reduction of the transaction price for tuition and fees, were funded in fiscal years 2023 and 2022 from the following revenue sources as of May 31 (*in thousands*):

	2023	2022
University tuition and fees	$ 140,416	$ 133,966
Endowment distribution	6,662	7,221
Donor contributions for current use	4,362	4,608
Government grants	2,875	713
Total scholarships	$ 154,315	$ 146,508

15. Related Parties

Members of the Society of Jesus, the Religious of the Sacred Heart of Mary, and the Sisters of St. Joseph of Orange constitute approximately 2% of the University's full and part-time faculty and administrative staff. During the years ended May 31, 2023 and 2022, the University paid these religious communities approximately $2,536,000 and $3,143,000, respectively, for their services. This compensation is included in Instruction, Research, Institutional support and Student services expenses in the Statement of Activities.

16. Commitments and Contingencies

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

The University is committed under certain construction contracts in the amount of $6,267,000 as of May 31, 2023.

At May 31, 2023, the University has open commitments to invest approximately $120,163,000 with alternative investment managers.

The University's workers' compensation carrier requires that the University maintain a separate money market account or an unsecured letter of credit as collateral for claims that fall below the deductible amount. At May 31, 2023, the University maintained a separate money market account. At May 31,2022, the University held a letter of credit facility in the amount of $2,450,000. The letter of credit was not used during the year ended May 31, 2022 and therefore no liability was recorded in the Statement of Financial Position.

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

On January 30, 2020, the World Health Organization declared the coronavirus outbreak a "Public Health Emergency of International Concern" and on March 11, 2020, declared it to be a pandemic. Actions taken around the world to help mitigate the spread of the coronavirus include restrictions on travel, and quarantines in certain areas, and forced closures for certain types of public places and businesses. The pandemic has impacted the University's operations during the years ended May 31, 2023 and 2022, respectively. The extent of future impacts will depend on future developments including but not limited to the duration of the outbreak, effects on financial markets and overall economic impacts.

17. Subsequent Events

Management has evaluated subsequent events through October 3, 2023, the date the financial statements were issued. There are no events that require adjustment or additional disclosure in these financial statements.

Loyola Marymount University
Schedule of Expenditures of Federal Awards
For the Year Ended May 31, 2023

Federal Grantor / Program Title	Federal Award Number	Federal Assistant Listing Number	Pass-Through Entity Identifying Number	Federal Expenditures	Amounts Provided to Subrecipients
Student Financial Assistance Cluster					
Department of Education					
Direct Programs					
Federal Perkins Loan Program (Note 4)					
Outstanding Loan Balances as of June 1, 2022		84.038		$ 4,447,388	$ -
Federal Direct Loans Program		84.268		100,211,437	-
Federal Work Study Program		84.033		2,044,254	-
Federal Supplemental Educational Opportunity Grant Program		84.007		754,594	-
Federal Pell Grant Program		84.063		5,089,803	-
Teacher Education Assistance for College and Higher Education Grant		84.379		20,276	-
Total Department of Education				112,567,752	-
Total Student Financial Assistance Cluster				$ 112,567,752	$ -
Research & Development Cluster					
National Science Foundation					
Direct Programs					
Mathematical and Physical Sciences	1722275	47.049		$ 4,000	$ -
Education and Human Resources	1240118	47.076		125,375	-
Education and Human Resources	1712296	47.076		51,608	-
Fund for the Improvement of Postsecondary Education	P116T220010	84.116		20,858	-
Geosciences	1824807	47.050		8,776	-
Integrative Activities	2137582	47.083		228,846	-
Total National Science Foundation				439,463	-
Department of Health and Human Services					
Direct Programs					
Alcohol Research Programs	R01AA027168	93.273		601,350	177,741
Alcohol Research Programs	R34AA026422	93.273		55,698	-
Alcohol Research Programs	R34AA030139	93.273		471	-
Cancer Treatment Research	R00CA256351	93.395		66,645	-
Diabetes, Digestive, and Kidney Diseases Extramural Research	R15DK112172	93.847		124,287	60,255
Biomedical Research and Research Training	R15GM134451	93.859		87,330	-
Total Department of Health and Human Services				935,781	237,996
Total Research & Development Cluster				$ 1,375,244	$ 237,996

The accompanying notes are an integral part of the schedule of expenditures of federal awards.

Loyola Marymount University
Schedule of Expenditures of Federal Awards
For the Year Ended May 31, 2023

Federal Grantor / Program Title	Federal Award Number	Federal Assistant Listing Number	Pass-Through Entity Identifying Number	Federal Expenditures	Amounts Provided to Subrecipients
TRIO Cluster					
Department of Education					
Direct Programs					
TRIO Student Support Services	P042A201050	84.042A		$ 335,266	$ -
TRIO Upward Bound	P047A170869	84.047A		178,170	-
TRIO Upward Bound	P047A221416	84.047A		171,779	-
TRIO Upward Bound	P047M170556	84.047M		179,372	-
TRIO Upward Bound	P047M220453	84.047M		139,470	-
TRIO McNair Post-Baccalaureate Achievement	P217A170217	84.217A		141,256	-
TRIO McNair Post-Baccalaureate Achievement	P217A220248	84.217A		125,340	-
Total Department of Education				1,270,653	-
Total TRIO Cluster				$ 1,270,653	$ -
Child Nutrition Cluster					
Department of Agriculture					
Direct Program					
Summer Food Service Program for Children	N/A	10.559		$ 11,681	$ -
Total Child Nutrition Cluster				$ 11,681	$ -
Other Programs					
Department of Defense					
Direct Program					
Language Grant Program	H98230-20-1-0207	12.900		$ 2,971	$ -
Total Department of Defense				2,971	-
Department of Justice					
Direct Programs					
Crime Victim Assistance/Discretionary Grants	2020-V3-GX-K015	16.582		417,332	-
Capital Case Litigation Initiative	2020-FA-BX-0004	16.746		21,660	-
Total Direct Programs				438,992	-
Pass-through Program					
Pass-through California State University, Los Angeles Auxiliary Services					
Postconviction Testing of DNA Evidence		16.820	2020-DY-BX-0002	64,409	-
Total Pass-through Program				64,409	-
Total Department of Justice				503,401	-
Institute of Museum and Library Services					
Direct Program					
Laura Bush 21st Century Librarian Program	RE-250170-OLS-21	45.313		104,788	30,000
Total Institute of Museum and Library Services				104,788	30,000

The accompanying notes are an integral part of the schedule of expenditures of federal awards.

Loyola Marymount University
Schedule of Expenditures of Federal Awards
For the Year Ended May 31, 2023

Federal Grantor / Program Title	Federal Award Number	Federal Assistant Listing Number	Pass-Through Entity Identifying Number	Federal Expenditures	Amounts Provided to Subrecipients
Department Of Veterans Affairs					
Direct Program					
Veterans Legacy Grants Program	LG-22-12	64.204		156,463	-
Total Department Of Veterans Affairs				156,463	-
Department of Education					
Direct Programs					
Centers for International Business Education	P220A180020	84.220A		183,027	-
Centers for International Business Education	P220A220008	84.220A		121,858	-
Total 84.220A				304,885	-
English Language Acquisition State Grants	T365Z160249	84.365Z		52,150	-
English Language Acquisition State Grants	T365Z210143	84.365Z		691,570	-
Total 84.365Z				743,720	-
COVID-19 Education Stabilization Fund - Institutional Portion	P425F203848	84.425F		1,532,127	-
Total Direct Programs				2,580,732	-
Pass-through Programs					
Pass-through University of California Office of the President					
Improving Teacher Quality State Grants		84.367A	S367A200005	3,578	-
Improving Teacher Quality State Grants		84.367A	S367A210005	41,767	-
Total Pass-through Programs				45,345	-
Total Department of Education				2,626,077	-
National Endowment for the Humanities					
Pass-through Programs					
Pass-through California Humanities					
Promotion of the Humanities Federal/State Partnership		45.129	SO-268663.20	4,491	-
Total National Endowment for the Humanities				4,491	-
Total Other Programs				$ 3,398,191	$ 30,000
Total Expenditures of Federal Awards				$ 118,623,521	$ 267,996

The accompanying notes are an integral part of the schedule of expenditures of federal awards.

Loyola Marymount University
Notes to the Schedule of Expenditures of Federal Awards
For the Year Ended May 31, 2023

1. Basis of Presentation and Summary of Significant Accounting Policies

The accompanying Schedule of Expenditures of Federal Awards (the "Schedule") summarizes the expenditures of Loyola Marymount University (the "University") under programs of the federal government for the year ended May 31, 2023. The information presented in the Schedule is presented on the accrual basis of accounting and prepared in accordance the 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). Because the Schedule presents only a selected portion of the operations of the University, it is not intended to and does not present the financial position, changes in net assets, or cash flows of the University.

Expenditures reported on the Schedule are reported on 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.

For purposes of this Schedule, federal awards include all grants, contracts, and similar agreements entered into directly or indirectly between the University and agencies and departments of the federal government.

2. Indirect Cost Rate

The University has elected not to use the 10% de minimis indirect cost rate allowed under the Uniform Guidance. The University has an approved predetermined indirect cost rate of 43.9% of modified total direct costs and a separate fringe benefit rate of 27.9% of salaries and wages effective through May 31, 2025. Some of the grants currently in effect, which include indirect costs, use a rate lower than the federally approved indirect cost rate.

3. Commingled Assistance

The California Student Aid Commission (CSAC) administers the State Cal Grant A and B Programs, selects the student recipients of these grant awards and provides funds to participating institutions for disbursement. Federal Temporary Assistance for Needy Families (TANF) funds, Assistance Listing Number 93.558, from the United States Department of Health and Human Services are commingled with general state funding when providing grants and a specific amount of TANF funding provided is not able to be determined for these Cal Grant awards and excluded from the Schedule accordingly. In fiscal year 2023, the University received Cal Grant A and B funds in the amount of $6,571,396.

4. Federal Perkins Loan Program

The Federal Perkins Loan Program, Assistance Listing Number 84.038, is administered directly by the University, with balances and transactions relating to this program are included in the University's financial statements. For the year ended May 31, 2023, federal expenditures presented in the Schedule include loans outstanding at the beginning of the year. Due to the cessation of the Perkins Loan Program, no new loans were made during the year. The balance of loans outstanding at May 31, 2023 was $2,929,000.

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*

To the Board of Trustees of Loyola Marymount University

We have audited, in accordance with 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 financial statements of Loyola Marymount University (the "University"), which comprise the statement of financial position as of May 31, 2023, and the related statements of activities and of cash flows for the year then ended, including the related notes (collectively referred to as the "financial statements"), and have issued our report thereon dated October 3, 2023.

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 opinion 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*.

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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 University'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 University's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

PricewaterhouseCoopers LLP

Los Angeles, California
October 3, 2023

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

To the Board of Trustees of Loyola Marymount University

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Loyola Marymount University's (the "University") compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of the University's major federal programs for the year ended May 31, 2023. The 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, the 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 May 31, 2023.

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 (US GAAS); the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; 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 Auditors' Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the 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 the 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 the University's federal programs.

Auditors' 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 the 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 US 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 the University's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with US 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 the 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 the 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 the 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.

Other Matter

As indicated in Part I to the accompanying Schedule of Findings and Questioned Costs, we have audited the Student Financial Assistance cluster as a major program. Also, as indicated in the first paragraph of this report, we performed our audit of compliance using the compliance requirements contained in the OMB Compliance Supplement, including those contained in Part V 5.3, Compliance Requirement N, Special Tests and Provisions, Section 13 "Gramm-Leach-Bliley Act-Student Information Security." This section includes three suggested audit procedures with respect to verification that the institution (1) designated an employee or employees to coordinate the information security program, (2) performed a risk assessment that addresses the three required areas in 16 CFR 314.4(b), and (3) documented a safeguard for each risk identified. Our procedures in relation to these three items were limited to inquiry of and obtaining written representation from management and obtaining and reading management's documentation related to these three items. Our procedures did not include an analysis of the adequacy or completeness of the risk assessment performed or the safeguards for each risk identified by management.

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 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 Auditors' 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.

PricewaterhouseCoopers LLP

Los Angeles, California
December 20, 2023

Section I – Summary of Auditor's Results

Financial Statements

Type of auditor's report issued:	Unmodified
Internal control over financial reporting:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified that are not considered to be material weaknesses?	None reported
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over major programs:	
Material weakness(es) identified?	No
Significant deficiency(ies) identified that are not considered to be material weaknesses?	None reported
Type of auditor's report issued on compliance for major programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	No

Identification of major programs:

Assistance Listing Number(s)	**Name of Federal Program or Cluster**
Various	Student Financial Assistant Cluster
84.425F	COVID-19 – Education Stabilization Fund – Institutional Portion
Various	TRIO Cluster
16.582	Crime Victim Assistance/Discretionary Grants

Dollar threshold used to distinguish between Type A and Type B programs:	$750,000
Auditee qualified as low-risk auditee?	Yes

Section II – Financial Statement Findings

None noted.

Section III – Findings and Questioned Costs for Federal Awards

None noted.

Finding 2022-001 – Suspension and Debarment Verification

Federal Awarding Agency: Department of Education
Award Name: COVID-19 – Education Stabilization Fund – Institutional Portion
Award Number: ED-GRANTS-042120-004
Award Year: June 1, 2021 - May 31, 2022
Assistant Listing Title: HEERF Institutional Portion
Assistant Listing Number: 84.425F
Pass-through entities: Not applicable

Per 2 CFR 180.220, suspension and debarment checks are required to be performed for covered transactions that equal or exceed $25,000. There were two procurements which exceeded the covered transaction threshold that no documentation was available to evidence that a suspension and debarment check was performed prior to utilizing federal funding to reimburse the University for the expenditures, which totaled $313,500.

The University has a process to ensure that suspension and debarment verifications are performed for expenditures that will be reimbursed by federal award funding within the Office for Research & Sponsored Projects. However, at the time this procurement was made, the decision to utilize federal award funding to reimburse the University for the expenditure had not been made. As a result, this procurement was made through the University's standard operational procurement process, and suspension and debarment procedures were not performed.

PwC Recommendation

PwC recommended that management perform suspension and debarment procedures in advance of making the determination to seek reimbursement of an expenditure with federal funding.

Action Taken

The following corrective actions were completed by the University:

Management has subsequently performed the required procedures noting the vendor was not suspended or debarred at the time of the transactions or time of testing. Management has implemented procedural changes as of December 2021 to include suspension and debarment procedures in advance of making the determination to seek reimbursement of an expenditure with federal funding.

The above action was taken in December 2021, and no exceptions were noted subsequent to that date.