# Washington University
## Consolidated Financial Statements
## June 30, 2023 and 2022

# Washington University
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## June 30, 2023 and 2022

## Report of Independent Auditors

To the Board of Trustees of Washington University

### *Opinion*

We have audited the accompanying consolidated financial statements of Washington University and its affiliates (the "University"), which comprise the consolidated statements of financial position as of June 30, 2023 and 2022, and the related consolidated statements of activities and of cash flows for the years then ended, including the related notes (collectively referred to as the "consolidated financial statements").

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the University as of June 30, 2023 and 2022, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### *Basis for Opinion*

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

### *Responsibilities of Management for the Consolidated Financial Statements*

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

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

### *Auditors' Responsibilities for the Audit of the Consolidated Financial Statements*

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

PricewaterhouseCoopers LLP, 6 Cardinal Way, Suite 1100, St. Louis, Missouri 63102
T: (314) 206 8500, www.pwc.com/us

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

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

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

PricewaterhouseCoopers LLP

St. Louis, Missouri
October 6, 2023

# Washington University
## Consolidated Statements of Financial Position
## June 30, 2023 and 2022

| *(thousands of dollars)* | **2023** | **2022** |
|---|---|---|
| **Assets** | | |
| Cash and cash equivalents | $ 316,820 | $ 239,191 |
| Investments | 14,311,571 | 15,416,684 |
| Accounts and notes receivable, net | 723,215 | 709,568 |
| Pledges receivable, net | 418,821 | 423,296 |
| Right-of-use assets | 93,447 | 76,116 |
| Other assets | 362,291 | 329,870 |
| Fixed assets, net | 3,566,162 | 3,242,141 |
| Total assets | $ 19,792,327 | $ 20,436,866 |
| **Liabilities** | | |
| Accounts payable and accrued expenses | $ 731,057 | $ 643,233 |
| Deposits, advances and other | 39,428 | 48,139 |
| Lease liability | 104,087 | 87,014 |
| Professional liability | 104,012 | 110,170 |
| Deferred revenue and contract liabilities | 124,803 | 130,480 |
| Liabilities under split-interest agreements | 34,607 | 35,873 |
| Government supported student loans | 9,113 | 12,902 |
| Notes and bonds payable | 3,259,475 | 3,324,601 |
| Total liabilities | 4,406,582 | 4,392,412 |
| **Net Assets** | | |
| Without donor restrictions | 7,693,793 | 7,847,088 |
| With donor restrictions | 7,691,952 | 8,197,366 |
| Total net assets | 15,385,745 | 16,044,454 |
| Total liabilities and net assets | $ 19,792,327 | $ 20,436,866 |

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

# Washington University
## Consolidated Statements of Activities
## Year Ended June 30, 2023

| *(thousands of dollars)* | Without Donor Restrictions | With Donor Restrictions | Total |
|---|---|---|---|
| **Revenues and other support** | | | |
| Tuition and fees | $ 497,365 | $ | $ 497,365 |
| Endowment spending distribution | 552,477 | 17,312 | 569,789 |
| Investment income | 71,397 | 837 | 72,234 |
| Gifts | 110,294 | 93,854 | 204,148 |
| Grants and contracts revenues | | | - |
| Direct costs recovered | 617,177 | | 617,177 |
| Facilities and administrative costs recovered | 235,870 | | 235,870 |
| Patient services, net | 2,052,095 | | 2,052,095 |
| Auxiliary enterprises - sales and services | 137,124 | | 137,124 |
| Educational activities - sales and services | 168,263 | | 168,263 |
| Affiliated hospital revenues | 164,808 | | 164,808 |
| Other revenue | 38,130 | | 38,130 |
| Net assets released from restrictions | 122,374 | (122,374) | - |
| Total revenues and other support | 4,767,374 | (10,371) | 4,757,003 |
| **Expenses:** | | | |
| Compensation expense | 2,770,311 | | 2,770,311 |
| Supplies, services, and other | 1,481,509 | | 1,481,509 |
| Depreciation expense | 224,969 | | 224,969 |
| Interest expense | 93,738 | | 93,738 |
| Total expenses | 4,570,527 | - | 4,570,527 |
| Net operating results | 196,847 | (10,371) | 186,476 |
| **Non-operating activities:** | | | |
| Investment returns net of endowment spending | (343,688) | (593,435) | (937,123) |
| Permanently restricted gifts | - | 88,345 | 88,345 |
| Other non-operating | (6,454) | 10,047 | 3,593 |
| Non-operating, net | (350,142) | (495,043) | (845,185) |
| Change in net assets | (153,295) | (505,414) | (658,709) |
| Net Assets, Beginning of the Year | 7,847,088 | 8,197,366 | 16,044,454 |
| Net Assets, End of the Year | $ 7,693,793 | $ 7,691,952 | $ 15,385,745 |

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

# Washington University
## Consolidated Statements of Activities
## Year Ended June 30, 2022

| *(thousands of dollars)* | Without Donor Restrictions | With Donor Restrictions | Total |
|---|---|---|---|
| **Revenues and other support** | | | |
| Tuition and fees | $ 513,132 | $ | $ 513,132 |
| Endowment spending distribution | 494,816 | 14,549 | 509,365 |
| Investment income | 10,145 | 385 | 10,530 |
| Gifts | 119,531 | 85,742 | 205,273 |
| Grants and contracts revenues | | | |
| Direct costs recovered | 579,308 | | 579,308 |
| Facilities and administrative costs recovered | 222,969 | | 222,969 |
| Patient services, net | 1,913,498 | | 1,913,498 |
| Auxiliary enterprises - sales and services | 149,258 | | 149,258 |
| Educational activities - sales and services | 187,342 | | 187,342 |
| Affiliated hospital revenues | 109,789 | | 109,789 |
| Other revenue | 35,078 | 11 | 35,089 |
| Net assets released from restrictions | 104,927 | (104,927) | - |
| Total revenues and other support | 4,439,793 | (4,240) | 4,435,553 |
| **Expenses:** | | | |
| Compensation expense | 2,506,855 | | 2,506,855 |
| Supplies, services, and other | 1,278,017 | | 1,278,017 |
| Depreciation expense | 218,070 | | 218,070 |
| Interest expense | 74,887 | | 74,887 |
| Total expenses | 4,077,829 | - | 4,077,829 |
| Net operating results | 361,964 | (4,240) | 357,724 |
| **Non-operating activities:** | | | |
| Investment returns net of endowment spending | (895,974) | (1,282,659) | (2,178,633) |
| Permanently restricted gifts | | 102,269 | 102,269 |
| Other non-operating | 9,499 | 3,490 | 12,989 |
| Non-operating, net | (886,475) | (1,176,900) | (2,063,375) |
| Change in net assets | (524,511) | (1,181,140) | (1,705,651) |
| Net Assets, Beginning of the Year | 8,371,599 | 9,378,506 | 17,750,105 |
| Net Assets, End of the Year | $ 7,847,088 | $ 8,197,366 | $ 16,044,454 |

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

# Washington University
## Consolidated Statements of Cash Flows
## Years Ended June 30, 2023 and 2022

| *(thousands of dollars)* | 2023 | 2022 |
|---|---|---|
| **Cash flows from operating activities** | | |
| Change in net assets | $ (658,709) | $ (1,705,651) |
| Adjustments to reconcile change in net assets to cash provided by operating activities | | |
| Realized and unrealized net losses on investments | 313,738 | 1,626,639 |
| Depreciation expense | 224,969 | 218,070 |
| Permanently restricted gifts | (88,345) | (102,269) |
| Investments received as gifts - not permanently restricted | (5,193) | (18,540) |
| Proceeds from sales of investments received as gifts | 5,193 | 18,540 |
| Other non-cash adjustments | 39,135 | 44,801 |
| Changes in assets and liabilities | | |
| Accounts and notes receivable, net | 15,183 | (126,160) |
| Pledges receivable, net | 1,668 | 14,748 |
| Accounts payable and accrued expenses | 24,374 | 15,173 |
| Deferred revenue and contract liabilities | (5,677) | (30,565) |
| Other assets and liabilities | (60,457) | 18,301 |
| Net cash used by operating activities | (194,121) | (26,913) |
| **Cash flows from investing activities** | | |
| Proceeds from sales and maturities of investments | 7,625,584 | 9,205,245 |
| Purchases of investments | (6,831,465) | (9,748,041) |
| Purchases of fixed assets | (543,043) | (459,808) |
| Student loans disbursed | (16,987) | (14,053) |
| Student loan payments received | 15,956 | 17,691 |
| Other | (288) | |
| Net cash provided by/(used) in investing activities | 249,757 | (998,966) |
| **Cash flows from financing activities** | | |
| Principal payments of debt | (79,942) | (66,598) |
| Proceeds from long-term debt issuance | 14,340 | 1,005,877 |
| Contributions restricted for long-term investment | 67,097 | 40,924 |
| Proceeds from sales of investments received as permanently restricted gifts | 24,287 | 31,000 |
| Other | (3,789) | (10,077) |
| Net cash provided by financing activities | 21,993 | 1,001,126 |
| Net increase/(decrease) in cash | 77,629 | (24,753) |
| **Cash and cash equivalents** | | |
| Beginning of year | 239,191 | 263,944 |
| End of year | $ 316,820 | $ 239,191 |
| **Supplemental data** | | |
| Interest paid in cash | $ 92,785 | $ 64,384 |
| **Noncash activities** | | |
| Contributions of securities and other noncash assets | (29,480) | 49,540 |
| Net change in accounts receivable for investments | (16,197) | 58,440 |

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

*(All amounts in thousands of dollars)*

## 1. Summary of Significant Accounting Policies

### Organization

Washington University in St. Louis (the "university"), is an institution of higher education that, in furtherance of its role as a charitable and educational institution, engages in various activities, including instruction, research and provision of medical care.

### Basis of Presentation and Use of Estimates

The consolidated financial statements have been prepared on the accrual basis of accounting. The consolidated financial statements are consolidated to include the accounts of the university and its affiliates. Significant consolidated affiliates include The Barnard Free Skin and Cancer Hospital, Parallel Properties LLC including its affiliates, Washington University Clinical Associates, LLC and associated physician practices, and Washington University Physicians in Illinois, Inc.

The preparation of consolidated financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Such estimates include, but are not limited to, the estimated useful lives of buildings and equipment, the fair value of certain investments (see footnote 2), the degree of precision in calculation of self-insurance reserves and adequacy of allowances for doubtful accounts. Actual results could differ from those estimates.

Certain reclassifications have been made to the 2022 financial statements to conform to the 2023 financial statement presentation. These reclassifications had no effect on changes in net assets.

### Net Assets

Resources are recorded based on the absence or existence of donor-imposed restrictions. Descriptions of the net asset categories are as follows:

- Net assets without donor restrictions are free of donor-imposed restrictions. Board-designated endowment funds are also included within net assets without donor restrictions.

- Net assets with donor restrictions represent net assets that consist of gifts and related earnings that are subject to donor-imposed restrictions or legal stipulations that have not yet been met by actions of the university and/or passage of time as well as gifts and trusts which, by donor restriction, are required to be held in perpetuity. Net assets required to be held in perpetuity at June 30, 2023 and 2022, are $2,638,879 and $2,543,043, respectively.

Revenues from sources other than contributions and investment returns are reported as increases in net assets without donor restrictions. Contributions are reported as increases in the appropriate category of net assets, except that contributions which impose donor restrictions that are met in the same fiscal year they are received are included in revenues

*(All amounts in thousands of dollars)*

without donor restrictions. Gains and investment income that are limited to specific uses by donor-imposed restrictions are reported as increases in net assets without donor restrictions if the restrictions are met in the same reporting period as the gains and income are recognized, except for gains and investment income earned by investment of donor-restricted endowments. Such amounts remain in net assets with donor restrictions until appropriated for expenditure. When a donor restriction expires due to the passage of time or the university's fulfillment of donor stipulated purpose, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the consolidated statements of activities as net assets released from restrictions. Donor restricted gifts that are to be held in perpetuity are reported in the non-operating section of the consolidated statements of activities. 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 restricted support. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the university reports expirations of donor restrictions when the donated or acquired long-lived assets are placed in service. Expenses are reported as decreases in net assets without donor restrictions.

The university's net assets as of June 30, 2023 consist of the following:

| | Without donor restrictions | With donor restrictions | Total |
|---|---|---|---|
| Donor-restricted endowment funds | $ | $ 6,686,908 | $ 6,686,908 |
| Board-designated endowment funds | 4,279,133 | 523,273 | 4,802,406 |
| Investment in plant, net | 884,026 | | 884,026 |
| Pledges | | 418,821 | 418,821 |
| Other donor-restricted | | 62,950 | 62,950 |
| Operating and other reserves | 2,530,634 | | 2,530,634 |
| | $ 7,693,793 | $ 7,691,952 | $ 15,385,745 |

The university's net assets as of June 30, 2022 consist of the following:

| | Without donor restrictions | With donor restrictions | Total |
|---|---|---|---|
| Donor-restricted endowment funds | $ | $ 7,116,348 | $ 7,116,348 |
| Board-designated endowment funds | 4,531,534 | 594,876 | 5,126,410 |
| Investment in plant, net | 843,517 | | 843,517 |
| Pledges | | 423,296 | 423,296 |
| Other donor-restricted | | 62,846 | 62,846 |
| Operating and other reserves | 2,472,037 | | 2,472,037 |
| | $ 7,847,088 | $ 8,197,366 | $ 16,044,454 |

## Investments

Investment gains (losses) in excess of endowment spending distribution and the unrealized appreciation (depreciation) on investments are reported in the non-operating section of the consolidated statements of activities. Investments acquired by gift or bequest are initially recorded at market or appraised value at the date so acquired.

*(All amounts in thousands of dollars)*

At June 30, 2023 and 2022, investments include $577,339 and $925,978, respectively, purchased with unexpended proceeds from the Series 2020A Missouri Health and Educational Facilities Authority (MOHEFA) taxable bonds issued April 3, 2020 and the Series 2022 taxable revenue bonds issued April 7, 2022. The 2020A MOHEFA funds and the 2022 bond funds may be utilized for the purposes set forth in the relevant bond documents.

### Fixed Assets

Fixed assets are stated at cost or at fair market values if received as a gift, less accumulated depreciation, computed on a straight-line basis over the estimated useful lives of the assets. Fixed assets include equipment and other assets acquired through sponsored programs during which title is retained by the resource provider. It is probable the university will be permitted to keep the assets when the program terminates. The cost and accumulated depreciation of fixed assets are removed from the records at the time of disposal. Fixed assets by classification at June 30, 2023 and 2022 consist of the following:

| | 2023 | 2022 |
|---|---|---|
| Construction in progress | $ 911,778 | $ 550,840 |
| Land and improvements to land | 219,694 | 206,433 |
| Buildings | 4,944,844 | 4,847,183 |
| Equipment | 820,403 | 763,035 |
| Total cost | 6,896,719 | 6,367,491 |
| Accumulated depreciation | (3,330,557) | (3,125,350) |
| Total fixed assets, net | $ 3,566,162 | $ 3,242,141 |

### Collections

In addition to the Mildred Lane Kemper Art Museum, the university archives rare book collections, works of art, literary works, historical treasures and artifacts. These collections are protected and preserved for public exhibition, education, research and the furtherance of public service. Proceeds from the sale of deaccessioned items are used to acquire new collections. Accordingly, such collections are not recognized or capitalized for financial statement purposes.

### Leases

The university determines if an arrangement is or contains a lease at inception based on whether the contract conveys the right to control the use of identified property, plant, or equipment in exchange for consideration. The university has both leases under which it is obligated as a lessee and leases for which it is the lessor. Operating leases in which the university is a lessee are included in right-of-use (ROU) assets and lease liabilities on the consolidated statements of financial position. The university has elected the short-term lease exception under ASC 842 for all leases, and therefore, leases with an initial term of 12 months or less are not included on the consolidated statements of financial position. ROU assets represent the right to use an underlying asset for the lease term, and lease liabilities represent the obligation to make lease payments arising from the lease, measured on a discounted basis. The interest rate implicit in lease contracts is typically not readily determinable, and as such, the university uses its collateralized borrowing rate using a period comparable with the lease

*(All amounts in thousands of dollars)*

term in determining the present value of lease payments. The lease term may, at the university's discretion, include options to extend or to terminate the lease that the university is reasonably certain to exercise. Lease expense for lease payments is recognized on a straight-line basis over the lease term within the supplies, services and other line of the consolidated statement of activities. Variable lease payments based on an index or rate, such as the consumer price index, are initially measured using the index or rate in effect at lease commencement. The university has lease agreements with non-lease components that relate to the lease components. The university elected the practical expedient to account for non-lease components and the lease components to which they relate as a single lease component for all leases. Leasing arrangements for which the university is the lessor are not material to the consolidated financial statements.

### Financing Receivables

Financing receivables are principally loans made to students or their parents utilizing gifts, endowment payout, and university resources designated for that purpose and from funds provided by the United States government under the Federal Perkins Student Loan program. Loan funds are reported at estimated realizable value, as it is not practical to determine the fair value of loan fund receivables, which include a large component of federally sponsored student loans. Federally sponsored student loans have significant government restrictions as to marketability, interest rates, and repayment terms. Federal funds are ultimately refundable to the government and are recognized as a liability in the consolidated statements of financial position.

The university's loan portfolio includes over 4,100 individual loans and is geographically diverse. Loans are considered past due if the minimum payment is not received within ten days past the due date. At June 30, 2023 and 2022, respectively 94% and 95% of the parent loans and 76% and 77% of the institutional student loans were considered current. Income earned on financing receivables is recorded on an accrual basis.

### Other Assets

The university offers deferred compensation plans for eligible faculty and staff. The plans investments are recorded at market value in other assets with an offsetting liability recorded in accounts payable and accrued expenses within the statement of financial position.

### Deferred Revenue and Contract Liabilities

Deferred revenue is recognized on an accrual basis when payments for services are received in advance of performance by the university. The principle components of deferred revenue are clinical trial receipts, grants and contracts, and prepaid tuition and housing.

### Tuition and Fees

Tuition and fee revenue, net of scholarships and other implicit price concessions, is recognized over-time using the output method of measuring progress in the fiscal year in which the educational programs are conducted. Students are invoiced at the commencement of each academic period. Payment is due when invoiced. The performance obligation, delivery of educational services, is satisfied as services are rendered. If delivery of the performance obligation is not complete as of fiscal year-end, a contractual liability is recorded. The deferred contract liability at June 30, 2023 and 2022 was $43,286 and $50,249, respectively, and is

*(All amounts in thousands of dollars)*

reported as deferred revenue and contract liabilities on the consolidated statement of financial position.

Demonstrated financial need is the major criteria for undergraduate students to receive financial aid. Graduate students often receive tuition support in connection with research assistant, teaching assistant and fellowship appointments. Total financial aid granted to students by the university, including aid provided to employees and their dependents, for the years ended June 30, 2023 and 2022, respectively, was $477,070 and $458,928.

The table below identifies student aid by type. Scholarships are reported net against tuition in the consolidated statements of activities. Other amounts are reported as expenses.

| | 2023 | 2022 |
|---|---|---|
| Scholarships from unrestricted sources | $ 239,871 | $ 246,375 |
| Scholarship support from gifts, endowment and other restricted sources | 102,799 | 88,468 |
| Total scholarships | 342,670 | 334,843 |
| Employee and dependent tuition benefits | 41,643 | 39,877 |
| Stipends | 91,212 | 82,732 |
| Work study | 1,545 | 1,476 |
| Total | $ 477,070 | $ 458,928 |

### Gifts

Gifts, including unconditional promises to give, are recognized as revenues in the period the gift or promise is received. Gifts received for permanent endowments or perpetual trusts are reported as non-operating revenues. Gifts of assets other than cash are recorded at their estimated fair value at the date of gift and, unless instructed otherwise by the donor, are liquidated upon receipt or as soon as practical thereafter.

Conditional gifts and promises to give are not recognized until the conditions on which they depend are substantially met. Gifts, in the form of unconditional promises to give, to be received after one year are discounted at credit-adjusted tax exempt borrowing rates in accordance with fair value accounting. Pledges outstanding are discounted with rates ranging from 0.22% to 2.95%. Amortization of the discount is recorded as gift revenue. The university has received gifts which are recorded as gift revenue in the period the gift was made but are payable over a specified payment schedule of up to 10 years or more. During the gift payment term, the university is exposed to credit risk for the entity or individual that has made the gift. An allowance is made for uncollectible unconditional promises to give based upon management's judgment, past collections experience and other relevant factors.

*(All amounts in thousands of dollars)*

A summary of pledges receivable is as follows:

| | 2023 | 2022 |
|---|---|---|
| In one year or less | $ 176,583 | $ 182,711 |
| Between two and five years | 158,483 | 155,150 |
| Over five years | 103,681 | 101,971 |
| | 438,747 | 439,832 |
| Less: | | |
| Discount | (11,926) | (8,304) |
| Allowance for uncollectible amounts | (8,000) | (8,232) |
| Total | $ 418,821 | $ 423,296 |

### Grants and Contracts

The university receives grant and contract revenue from governmental and private sources. Revenue associated with the direct costs of sponsored programs is generally recognized as the related costs are incurred. At contract inception, the university determines whether the goods or services to be provided are to be accounted for as a single performance obligation or as multiple performance obligations. If multiple performance obligations are identified, the university generally uses the cost plus a margin approach to determine the relative standalone selling price of each performance obligation. Revenue from these contracts is earned over-time. Invoicing of the customer, if required, will generally be in accordance with terms of the contract with payment due when invoiced. Generally, the time between the receipt of payment and the transfer of goods and service under these contracts is less than one year.

The university records revenue without donor restrictions upon its recovery of direct and indirect costs applicable to those sponsored programs that provide for the full or partial reimbursement of such costs. Most grants awarded to the university by government agencies are conditional contributions. The principle condition attached to these awards is that the university must incur costs in accordance with the Office of Management and Budget’s uniform guidance before costs can be reimbursed. Total amounts promised under these grants for which conditions have not yet been fulfilled are approximately $1,549,759 and $1,086,536 at June 30, 2023 and June 30, 2022, respectively. The recovery of indirect costs, also referred to as facilities and administrative costs is based on negotiated rates and represents recoveries of facilities and administrative costs incurred under grants and contracts agreements. Recovery of facilities and administrative costs of federally sponsored programs is at rates negotiated with the Department of Health and Human Services.

In some cases, the sponsor will prepay amounts in anticipation of costs to be incurred. In those cases, amounts received in excess of costs incurred are recorded as contract liabilities.

### Patient Services Revenue

Net patient services revenue is reported at the amount that reflects the consideration to which the university expects to be entitled in exchange for providing patient care. These amounts are due from patients, third-party payers (including health insurers and government programs),

*(All amounts in thousands of dollars)*

and others. Generally, the university bills the patient and third-party payers several days after the services are performed. Revenue is recognized as performance obligations are satisfied.

Revenue for performance obligations satisfied over time is recognized based on actual charges incurred in relation to total expected or actual charges which provides a faithful depiction of the transfer of services over the term of the performance obligation based on the inputs needed to satisfy the obligation. Amounts receivable under physician service contracts with affiliated and unaffiliated hospitals are $72,943 and $71,137 at June 30, 2023 and 2022, respectively.

Because the majority of its performance obligations relate to contracts with a duration of less than one year, the university has elected to apply the practical expedient provided in FASB ASC 606-10-50-14a, and therefore is not required to disclose the aggregate amounts of the transaction price allocated to performance obligations that are unsatisfied or partially unsatisfied at the end of the reporting period.

Generally patients who are covered by third-party payers are responsible for related deductibles and coinsurance, which vary in amount. The university also provides services to uninsured patients. The transaction price for both uninsured patients, as well as insured patients with deductibles and coinsurance, is estimated based on historical experience and current market conditions. The initial estimate of the transaction price is determined by reducing the standard charge by any contractual adjustments, discounts and implicit price concessions. The university determines its estimates of contractual adjustments and discounts based on contractual agreements, its discount policies and historical experience. The university determines its estimate of implicit price concessions based on historical collection experience with these classes of patients using a portfolio approach as a practical expedient. The portfolio approach is being used as there are a large volume of similar contracts with similar classes of customers. Management's judgment to group the contracts by portfolio is based on the payment behavior expected in each portfolio category. The effect of applying a portfolio approach to a group of contracts would not differ materially from considering each contract separately. Contractual adjustments to patient service revenue were $2,680,000 and $2,350,000 for the years ended June 30, 2023 and 2022, respectively.

The university has elected the practical expedient allowed under FASB ASC 606-10-32-18 and does not adjust the promised amount of consideration from patients and third-party payors for the effects of a significant financing component due to the expectation that the period between the time the service is provided to a patient and the time that the patient or a third-party payor pays for that service will be one year or less. In certain instances, the university may enter into payment agreements with patients that allow payments in excess of one year. For those cases, the financing component is not deemed to be significant to the contract. The university reported patient receivables net of contractual adjustments of $151,641 and $179,019, at June 30, 2023 and 2022, respectively.

### Auxiliary Enterprises – Sales and Services

Auxiliary enterprises sales and services revenue is primarily earned over-time utilizing the output method of measuring progress. Auxiliary enterprise sales and services contracts will generally constitute a single performance obligation as there is a single promise. This revenue is composed primarily of on and off campus housing charges, dining services, and parking and transportation fees with separate contracts for each type of service. Housing, dining services and parking fees are invoiced to undergraduate students at the beginning of each academic

*(All amounts in thousands of dollars)*

period. Payment is due upon invoice issuance. Graduate students and undergraduates who live off campus sign rental agreements providing for monthly rent payments. Each contract for services in this category has a duration of one year or less. A contract liability is recorded for the delivery of performance obligations that is not completed prior to the fiscal year end.

**Educational Activities – Sales and Services**

Clinical trial revenue is earned over-time as the university provides services. The transaction price is negotiated with the customer and is usually based on standard rates for clinical services and the expected cost to complete the contract. Payment terms under these contracts vary but generally provide for the right to invoice the customer as work progresses, either based on units performed or the achievement of billing milestones. The university has determined that an input method using costs incurred as a basis to estimate revenue earned best depicts the pattern of transfer of control to the customer. In those limited cases where prepayments are significant, revenue is deferred until earned and a contract liability is recorded. Such amounts are reported as deferred revenue and contract liabilities on the consolidated statement of financial position.

Contracts in other educational sales and services cover a broad range of activities including laboratory services, executive education program fees and royalties. Revenue from the contracts in this category is earned over time as services are rendered. The measure of progress varies according to the nature of the services provided. Invoicing to customers is performed in the cadence required under the contracts and amounts invoiced generally are considered due upon receipt. Accruals for services provided but not yet invoiced are recorded at year end. Fees for executive education programs are often received in advance of the program and represent a contract liability. Such amounts are reported as deferred revenue and contract liabilities in the consolidated statement of financial position.

**Affiliated Hospital Revenues**

Affiliated hospital revenue is earned over-time as the various services are provided as an integrated performance obligation as more fully described in footnote 13. The measure of progress towards completion of those obligations is based on the day-to-day operations of the university's School of Medicine and the affiliated hospitals. Payments are received under the agreement semiannually. Amounts receivable under the agreement are $88,097 and $39,202 at June 30, 2023 and 2022 respectively.

**Operating Results**

The university's measure of operations as presented in the consolidated statements of activities includes income from tuition and fees, grants and contracts, medical services, contributions for operating programs, the endowment spending distribution and other revenues. Operating expenses are reported on the consolidated statements of activities as incurred for employee compensation, depreciation, interest, and supplies, services and other. Operating results exclude investment gains (losses) except for the portion of gains utilized for the endowment spending distribution, contributions to be held in perpetuity, and other non-operating amounts.

*(All amounts in thousands of dollars)*

### Split-Interest Agreements

The university's split-interest agreements with donors consist primarily of charitable gift annuities and irrevocable charitable remainder trusts for which the university serves as trustee. Assets are invested and payments are made to donors and/or other beneficiaries in accordance with the respective agreements. Contribution revenues for charitable gift annuities and charitable remainder trusts are recognized after recording liabilities for the present value of the estimated future payments to be made to the respective donors and/or other beneficiaries. The discount rate used is based on rates in existence at the date of the gift. For new gifts received during fiscal year 2023, the discount rate is the standard IRS discount rate. The discount rate used in 2022 was a credit-adjusted rate. The rates used range from 1.4% to 5.0% for 2023 and 0.67% to 2.25% for fiscal year 2022. Annually, the university records the change in value of split-interest agreements by recording at fair value the assets that are associated with each trust and recalculating the liability for the present value of the estimated future payments to be made to the donors and/or other beneficiaries. For the years ending June 30, 2023 and 2022, the change in fair value was an increase of $6,474 and $3,502, respectively. As of June 30, 2023 and 2022, the university's liability under charitable gift annuities was $16,580 and $17,141, respectively.

### Cash and Cash Equivalents

The university considers cash on hand and in banks and all highly liquid financial instruments with an original maturity of 90 days or less, except those amounts assigned to and invested by its investment managers, which amounts are classified as investments, to be cash and cash equivalents.

### Income Taxes

The university is exempt from federal income taxes under Section 501 (c)(3) of the Internal Revenue Code except to the extent the university has unrelated business income, or consolidated for-profit affiliates incur taxes. There was no significant provision for income taxes in the current year. Management believes the university has no uncertain tax positions that result in material unrecognized tax expense/benefits.

## 2. Fair Value

The university follows FASB guidance for fair value measurements. This guidance defines fair value, establishes a framework for measuring fair value under generally accepted accounting principles and enhances disclosures about fair value measurements. Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date.

The FASB guidance establishes a hierarchy of valuation inputs based on the extent to which the inputs are observable in the marketplace. Observable inputs reflect market data obtained from sources independent of the university and unobservable inputs reflect the university's assumptions about how market participants would value an asset or liability based on the best information available. Valuation techniques used to measure fair value maximize the use of observable inputs and minimize the use of unobservable inputs. The fair value hierarchy is based on three levels of inputs, of which the first two are considered observable and the last unobservable, that may be used to measure fair value.

*(All amounts in thousands of dollars)*

The following describes the hierarchy of inputs used to measure fair value and the primary valuation methodologies used by the university for financial instruments measured at fair value on a recurring basis. The three levels of inputs are as follows:

Level 1 Quoted prices in active markets for identical assets or liabilities, such as exchange traded equity securities.

Level 2 Inputs other than Level 1 that are observable, either directly or indirectly, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the same term of the assets or liabilities. Examples of Level 2 include U.S. Treasury securities and corporate bonds.

Level 3 Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

A financial instrument's categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement.

The following table presents the financial instruments carried at fair value as of June 30, 2023, on the consolidated statements of financial position by caption and by the valuation hierarchy defined above. Amounts measured at net asset value are reported using the practical expedient under ASC topic 820 and excluded from the fair value hierarchy. Included as Level 2 fixed income are U.S. Treasury securities of approximately $880,691.

| | Quoted Prices in Active Markets (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) | Measured at Net Asset Value | Balance June 30, 2023 |
|---|---|---|---|---|---|
| **Investments** | | | | | |
| Public equity | | | | | |
| Domestic | $ 163,517 | $ | $ 20,675 | $ 499,195 | $ 683,387 |
| International | 156,593 | | | 2,033,971 | 2,190,564 |
| Fixed income - Nominal | | 1,298,983 | | | 1,298,983 |
| Absolute return | | | 476 | 672,715 | 673,191 |
| Private capital | | | 244,918 | 7,142,353 | 7,387,271 |
| Short-term investments | 378,660 | 5,226 | | | 383,886 |
| Real assets | 28,054 | | 72,155 | 838,494 | 938,703 |
| Other investments | 621,067 | 23,093 | 63,759 | 165 | 708,084 |
| Total investments at fair value | 1,347,891 | 1,327,302 | 401,983 | 11,186,893 | $ 14,264,069 |
| Investments not reported at fair value | | | | | |
| Affiliates - Equity basis | | | | | 40,723 |
| Accrued investment income | | | | | 6,779 |
| Total investments | $ 1,347,891 | $ 1,327,302 | $ 401,983 | $ 11,186,893 | $ 14,311,571 |

The following table presents the financial instruments carried at fair value as of June 30, 2022, on the consolidated statements of financial position by caption and by the valuation hierarchy defined above. Amounts measured at net asset value are reported using the practical expedient

*(All amounts in thousands of dollars)*

under ASC topic 820 and excluded from the fair value hierarchy. Included as Level 2 fixed income are U.S. Treasury securities of approximately $896,537.

| | Quoted Prices in Active Markets (Level 1) | Significant Other Observable Inputs (Level 2) | Significant Unobservable Inputs (Level 3) | Measured at Net Asset Value | Balance June 30, 2022 |
|---|---|---|---|---|---|
| **Investments** | | | | | |
| Public equity | | | | | |
| Domestic | $ 230,728 | $ | $ 21,759 | $ 1,020,202 | $ 1,272,689 |
| International | 97,133 | | | 1,746,292 | 1,843,425 |
| Fixed income - Nominal | | 1,256,010 | | | 1,256,010 |
| Absolute return | | | | 667,558 | 667,558 |
| Private capital | | | 328,880 | 7,816,548 | 8,145,428 |
| Short-term investments | 219,104 | 4,408 | | | 223,512 |
| Real assets | 17,459 | | 20,134 | 863,633 | 901,226 |
| Other investments | 962,546 | 3,663 | 60,141 | 32,119 | 1,058,469 |
| Total investments at fair value | 1,526,970 | 1,264,081 | 430,914 | 12,146,352 | 15,368,317 |
| Investments not reported at fair value | | | | | |
| Affiliates - Equity basis | | | | | 44,909 |
| Accrued investment income | | | | | 3,458 |
| Total investments | $ 1,526,970 | $ 1,264,081 | $ 430,914 | $ 12,146,352 | $ 15,416,684 |

Beneficial interests in perpetual trusts held by third parties are valued at the present value of the future distributions expected to be received over the term of the agreement.

Following is a description of the university's valuation methodologies for assets and liabilities measured at fair value. The methods described below may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the university believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different estimate of fair value at the reporting date.

Fair value for Level 1 is based upon quoted prices in active markets that the university has the ability to access for identical assets and liabilities. Market price data is generally obtained from exchange or dealer markets. The university does not adjust the quoted price for such assets and liabilities.

Fair value for Level 2 is based on quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active and model-based valuation techniques for which all significant assumptions are observable in the market or can be corroborated by observable market data for substantially the full term of the assets. Inputs are obtained from various sources including market participants, dealers, and brokers.

Fair value for Level 3 is based on valuation techniques that use significant inputs that are unobservable as they trade infrequently or not at all. Trustees determine the valuation for beneficial interest trusts and split-interest agreements. Strategic real estate is valued at historical cost and is evaluated annually for impairment.

*(All amounts in thousands of dollars)*

Investments measured at net asset value primarily consist of the university's ownership in alternative investments (principally limited partnership interests in absolute return, private capital investments, real assets, and other similar funds). The fair values (Net Asset Value ("NAV") or partner's capital per share) of the securities held by limited partnerships that do not have readily determinable fair values are determined by the respective general partners and are based on appraisals or other estimates that require varying degrees of judgment. If no public market exists for the investments, the fair value is determined by the general partners taking into consideration significant unobservable inputs including, among other things, the cost of the investments, prices of recent significant placements of investments of the same issuer, and subsequent developments concerning the companies to which the investments relate. Excluding the cost of the investment, significant increases or decreases in the remainder of those inputs could result in a significantly higher or lower fair value measurement. The university has performed due diligence with respect to these investments to ensure NAV or partner's capital per share is an appropriate measure of fair value as of June 30. NAVs are calculated by the investees in a manner consistent with generally accepted accounting principles for investment companies.

Significant terms of agreements with external investment managers or funds by major classes of investments are provided in the following tables.

The following table summarizes the significant terms of the agreements with external investment managers or funds by major category at June 30, 2023:

| Investments | Fair Value June 30, 2023 | Unfunded Commitment (1) | Remaining Life (2) | Redemption Terms | Redemption Restrictions |
|---|---|---|---|---|---|
| Public equities | $ 2,873,951 | $ | No Limit | Daily to annually, with same day-180 day notice | Lock-up provision periods range from none to 5 years. Certain investments include side pockets subject to external manager discretion. |
| Fixed income and short-term investments | 1,682,869 | | No Limit | Daily, 1-2 days notice | No lock-up provision |
| Absolute return | 673,191 | | No Limit | Quarterly to semi-annually with 45 – 180 days notice | Lock-up provision periods range from none to 3 years. Certain investments include side pockets subject to external manager's discretion. |
| Private capital | 7,387,271 | 1,696,758 | 0 - 26 Years | Not eligible for redemption | Not redeemable |
| Real assets | 938,703 | 307,701 | 0 - 11 Years | Not eligible for redemption | Not redeemable |
| Total | $ 13,555,985 | $ 2,004,459 | | | |

*(All amounts in thousands of dollars)*

Footnote (1): Includes $15 million nonbinding unfunded commitments. The university is obligated under certain agreements to fund capital calls periodically up to specified commitment amounts. Such commitments are expected to be called over the life of the agreement and are not expected to be fully funded in the subsequent year.

Footnote (2): For private equities and real assets, assuming all extension options under the agreements are exercised and approved except for funds with no fund life end date or unlimited extension.

The following table summarizes the significant terms of the agreements with external investment managers or funds by major category at June 30, 2022:

| Investments | Fair Value June 30, 2022 | Unfunded Commitment (1) | Remaining Life (2) | Redemption Terms | Redemption Restrictions |
|---|---|---|---|---|---|
| Public equities | $ 3,116,114 | $ | No Limit | Daily to annually, with same day-180 da notice | Lock-up provision periods range from none to 5 years. Certain investments include side pockets subject to external manager discretion. |
| Fixed income and short-term investments | 1,479,522 | | No Limit | Daily, 1-2 days notice | No lock-up provision |
| Absolute return | 667,558 | | No Limit | Quarterly to semi-annually with 45 – 180 days notice | Lock-up provision periods range from none to 3 years. Certain investments include side pockets subject to external manager's discretion. |
| Private capital | 8,145,428 | 1,686,311 | 0 - 27 Years | Not eligible for redemption | Not redeemable |
| Real assets | 901,226 | 397,436 | 0 - 11 Years | Not eligible for redemption | Not redeemable |
| Total | $ 14,309,848 | $ 2,083,747 | | | |


Footnote (1): Includes $15 million nonbinding unfunded commitments. The university is obligated under certain agreements to fund capital calls periodically up to specified commitment amounts. Such commitments are expected to be called over the life of the agreement and are not expected to be fully funded in the subsequent year.

Footnote (2): For private equities and real assets, assuming all extension options under the agreements are exercised and approved except for funds with no fund life end date or unlimited extension.


### Public Equities

Public equities include investments in publicly–traded securities in domestic, developed international, emerging, and frontier markets. The majority of assets are held in pooled commingled funds which are valued at NAV as described above. Investments held in custody

*(All amounts in thousands of dollars)*

accounts are valued at quoted market price in accordance with Level 1 and Level 2 valuation techniques as described above.

### Fixed Income and Short-Term Investments

Investments in this class include domestic and international nominal fixed income instruments. Fixed income investments are held principally as liquid vehicles for operating needs and as a source of diversification. A significant component of non-endowment fixed income investments is held in highly liquid funds. The valuation of these funds is determined using a market approach in accordance with the techniques for Level 2 as described above.

### Absolute Return

Investments in absolute return are typically held in commingled funds that employ various uncorrelated investment strategies including but not limited to equity hedged and event driven. These funds are valued at net asset value as described above.

### Private Capital

Investments in private capital strategies are made in targeted categories including growth equity, venture capital, distressed credit, and corporate finance. The majority of these assets are in non-redeemable drawdown fund structures and distributions are received as underlying investments are liquidated. These funds are primarily valued at net asset value as described above.

### Real Assets

Investments in the real assets class are made in targeted categories. The majority of these assets are held in non-redeemable drawdown fund structures that invest primarily in real estate and natural resources. These funds are primarily valued at net asset value as described above.

### Level Three

The following tables roll forward the consolidated statement of financial position amounts for financial instruments classified by the university within Level 3 of the fair value hierarchy defined above for the years ended June 30, 2023 and 2022.

| | Balance June 30, 2022 | Net Realized and Unrealized Gains (Losses) | Purchases, Sales and Settlements Net | Transfers in/(out) of Level 3, net | Balance June 30, 2023 |
|---|---|---|---|---|---|
| Investments (by strategy) | | | | | |
| Private capital | $ 328,880 | $ (97,330) | $ 8,368 | $ 5,000 | $ 244,918 |
| Real assets | 20,134 | (438) | 7,871 | 44,588 | 72,155 |
| Absolute return | | (44) | | 520 | 476 |
| Public equity | 21,759 | (1,084) | | | 20,675 |
| Other investments | 60,141 | 6,220 | (1,363) | (1,239) | 63,759 |
| Total | $ 430,914 | $ (92,676) | $ 14,876 | $ 48,869 | $ 401,983 |

*(All amounts in thousands of dollars)*

| | Balance June 30, 2021 | Net Realized and Unrealized Gains (Losses) | Purchases, Sales and Settlements Net | Transfers in/(out) of Level 3, net | Balance June 30, 2022 |
|---|---|---|---|---|---|
| Investments (by strategy) | | | | | |
| Private capital | $ 254,301 | $ 18,356 | $ 56,223 | | $ 328,880 |
| Real assets | 749 | (61) | 19,446 | | 20,134 |
| Public equity | | 557 | | 21,202 | 21,759 |
| Other investments | 68,022 | (6,656) | (45) | (1,180) | 60,141 |
| Total | $ 323,072 | $ 12,196 | $ 75,624 | $ 20,022 | $ 430,914 |

The amount of realized and unrealized gains (losses) for Level 3 investments for the period included in net assets attributable to the change in unrealized gains or losses relating to assets still held at June 30, 2023 and 2022 respectively, reported as investment returns net of endowment spending in the consolidated statements of activities by type of investment is:

| | 2023 | 2022 |
|---|---|---|
| Private capital | $ (46,968) | $ 18,587 |
| Real assets | (1,196) | (959) |
| Absolute Return | (44) | |
| Public equity | (1,083) | 557 |
| Other investments | 1,837 | (7,760) |
| Total | $ (47,454) | $ 10,425 |

## 3. Investment Return

The following summarizes the return on investments. Investment income represents earnings on non-endowed funds. Return on investments is presented net of investment management fees. Certain investments, including some but not all of those in the absolute return and private capital categories, report investment returns net of fees.

| | 2023 | 2022 |
|---|---|---|
| Investment income | $ 72,234 | $ 10,530 |
| Pooled endowment dividends and interest income, net of investment management fees | (53,596) | (42,629) |
| Pooled endowment distribution in excess of income | 623,385 | 551,994 |
| Pooled endowment spending distribution | 569,789 | 509,365 |
| Investment (losses) gains, net | (313,738) | (1,626,639) |
| Gains distributed as endowment distribution | (623,385) | (551,994) |
| Investment (losses) gains net of endowment spending distribution | (937,123) | (2,178,633) |
| Net investment return | $ (295,100) | $ (1,658,738) |

*(All amounts in thousands of dollars)*

## 4. Endowment

The state of Missouri has adopted legislation that incorporates the provisions outlined in the Uniform Prudent Management of Institutional Funds Act (UPMIFA). The statutory guidelines contained in this legislation relate to the prudent management, investment, and expenditure of donor-restricted endowment funds held by charitable organizations. Additionally, the legislation specifies factors for fiduciaries to consider prior to making a decision to appropriate from or accumulate into an institution's endowment funds.

At June 30, 2023, the university's endowment consists of 4,334 individual donor-restricted endowment funds and Board of Trustees or management-designated endowment funds for a variety of purposes plus split-interest agreements and other net assets where the assets have been designated for endowment. The net assets associated with endowment funds, including funds designated by the Board of Trustees or management to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

The university has interpreted Missouri UPMIFA as requiring the preservation of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the university classifies as net assets with donor restrictions, (a) the original value of gifts donated to the donor-restricted endowment, (b) the original value of subsequent gifts to the donor-restricted endowment, (c) accumulations to the donor-restricted 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 donor-restricted endowment funds that are not restricted in perpetuity are considered restricted until the donor-imposed stipulations attached to those amounts have been met by actions of the university and/or passage of time and appropriated for expenditure in a manner consistent with the standard of prudence prescribed by UPMIFA.

Endowment net asset composition, which includes the effect of changes in endowment investments as well as other endowment-related assets and liabilities, by type of fund as of June 30, 2023:

| | Without Donor Restriction | With Donor Restriction | Total |
|---|---|---|---|
| Donor-restricted endowment funds | $ | $ 6,686,908 | $ 6,686,908 |
| Board-designated endowment funds | 4,279,133 | 523,273 | 4,802,406 |
| Total endowment funds | $ 4,279,133 | $ 7,210,181 | $ 11,489,314 |

*(All amounts in thousands of dollars)*

Changes in endowment net assets for the year ended June 30, 2023:

| | Without Donor Restriction | With Donor Restriction | Total |
|---|---|---|---|
| **Endowment net assets, beginning of year** | $ 4,531,534 | $ 7,711,224 | $ 12,242,758 |
| Investment return | | | |
| Net investment income | (21,949) | (30,919) | (52,868) |
| Net decrease in investments (realized and unrealized) | (123,111) | (176,607) | (299,718) |
| Total investment return | (145,060) | (207,526) | (352,586) |
| Gifts | 73 | 92,228 | 92,301 |
| Appropriation of endowment assets for expenditure | (233,346) | (336,443) | (569,789) |
| Net transfers of funds | 34,426 | (35,363) | (937) |
| Allocation of endowment return to treasurer's investment pool | 87,624 | (28,762) | 58,862 |
| Other activity | 3,882 | 14,823 | 18,705 |
| **Endowment net assets, end of year** | $ 4,279,133 | $ 7,210,181 | $ 11,489,314 |

Of the amount classified as endowment net assets with donor restrictions, $4,352,086 represents the portion of endowment funds subject to time restrictions under Missouri's enacted version of UPMIFA.

Endowment net asset composition by type of fund as of June 30, 2022:

| | Without Donor Restriction | With Donor Restriction | Total |
|---|---|---|---|
| Donor-restricted endowment funds | $ | $ 7,116,348 | $ 7,116,348 |
| Board-designated endowment funds | 4,531,534 | 594,876 | 5,126,410 |
| Total endowment funds | $ 4,531,534 | $ 7,711,224 | $ 12,242,758 |

*(All amounts in thousands of dollars)*

Changes in endowment net assets for the year ended June 30, 2022:

| | Without Donor Restriction | With Donor Restriction | Total |
|---|---|---|---|
| **Endowment net assets, beginning of year** | $ 4,753,833 | $ 8,914,248 | $ 13,668,081 |
| Investment return | | | |
| Net investment income | (17,532) | (24,790) | (42,322) |
| Net decrease in investments (realized and unrealized) | (650,568) | (956,880) | (1,607,448) |
| Total investment return | (668,100) | (981,670) | (1,649,770) |
| Gifts | 73 | 73,662 | 73,735 |
| Appropriation of endowment assets for expenditure | (209,479) | (299,885) | (509,364) |
| Net transfers of funds | 156,860 | (2,234) | 154,626 |
| Allocation of endowment return to treasurer's investment pool | 492,955 | - | 492,955 |
| Other activity | 5,392 | 7,103 | 12,495 |
| **Endowment net assets, end of year** | $ 4,531,534 | $ 7,711,224 | $ 12,242,758 |

Of the amount classified as endowment net assets with donor restrictions, $5,072,881 represents the portion of endowment funds subject to time restrictions under Missouri's enacted version of UPMIFA.

### Endowment by Purpose

The purpose of endowment funds as of June 30, 2023:

| | Without Donor Restriction | With Donor Restriction | Total |
|---|---|---|---|
| Restricted for general activities | $ 2,752,888 | $ 4,746,584 | $ 7,499,472 |
| Restricted for student assistance | 1,190,110 | 1,572,685 | 2,762,795 |
| Restricted for buildings and renovations | 336,135 | 855,565 | 1,191,700 |
| Life income | | 35,347 | 35,347 |
| Total endowment net assets | $ 4,279,133 | $ 7,210,181 | $ 11,489,314 |

The purpose of endowment funds as of June 30, 2022:

| | Without Donor Restriction | With Donor Restriction | Total |
|---|---|---|---|
| Restricted for general activities | $ 2,976,006 | $ 5,122,820 | $ 8,098,826 |
| Restricted for student assistance | 1,237,317 | 1,583,362 | 2,820,679 |
| Restricted for buildings and renovations | 318,211 | 968,473 | 1,286,684 |
| Life income | | 36,569 | 36,569 |
| Total endowment net assets | $ 4,531,534 | $ 7,711,224 | $ 12,242,758 |

*(All amounts in thousands of dollars)*

### Endowment Funds with Deficits

As determined under UPMIFA, the fair value of assets associated with individual donor-restricted endowment funds may fall below the value of the initial and subsequent donor gift amounts (i.e., deficit). When donor endowment deficits exist, they remain classified as net assets with donor restrictions. Deficits of this nature were immaterial as of June 30, 2023 and 2022. The deficits resulted largely from unfavorable market fluctuations.

### Return Objectives and Risk Parameters

The university has adopted endowment investment and spending policies that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of endowment assets. Under this policy, the return objective for the endowment assets, measured over a full market cycle, shall be to meet or exceed the return of its policy benchmark, based on the endowment's target allocation applied to the appropriate individual benchmarks. The university expects its endowment funds, over time, to provide an average rate of return that will exceed the sum of inflation and the spending rate. Actual returns in any given year may vary from this amount.

### Strategies Employed for Achieving Investment Objectives

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

### Endowment Spending Allocation and Relationship of Spending Policy to Investment Objectives

The university has an endowment spending distribution policy designed to stabilize annual spending levels and preserve the real value of the endowment over time. Under this policy, earnings of the pooled endowment are distributed at a rate set annually to the schools and other units of the university. Consideration is given to the provisions of UPMIFA in determining the amount to appropriate. This spending rate must fall within the range of 3.0% to 5.5% of the five-year average market value of a unit of the pooled endowment. For 2023, the spending rate from the pooled endowment was 4.4% of the beginning market value of the pooled endowment. The spending rate is funded from current earnings and, in years when current earnings are insufficient, from previously accumulated earnings of the endowment.

*(All amounts in thousands of dollars)*

The university's endowment assets at June 30 are as follows:

| | 2023 | 2022 |
|---|---|---|
| Pooled endowment and other funds | $ 12,390,790 | $ 13,268,759 |
| Life income trusts and pools | 69,602 | 72,442 |
| Externally administered trusts | 33,474 | 31,655 |
| Separately invested endowment | 9,037 | 7,904 |
| Total | 12,502,903 | 13,380,760 |
| Less: Operating funds invested in pool | (991,129) | (1,098,702) |
| Net endowment assets | $ 11,511,774 | $ 12,282,058 |

The amounts above include term endowments of $132,188 and $142,691 as of June 30, 2023 and 2022, respectively.

## 5. Liquidity and Availability of Resources

At June 30, 2023 and 2022, the university's financial assets available for general expenditures within one year of the balance sheet date are as follows:

| | 2023 | 2022 |
|---|---|---|
| Total assets at year end | $ 19,792,327 | $ 20,436,866 |
| Less: | | |
| Accounts and notes receivable due in more than one year | (92,742) | (96,297) |
| Pledges receivable unavailable for general expenditure | (294,173) | (315,600) |
| Donor-restricted endowment funds | (6,831,617) | (7,279,612) |
| Board-designated endowment funds | (4,680,157) | (5,002,446) |
| Other long-term investments | (1,783,702) | (2,225,426) |
| Right-of-use assets | (93,447) | (76,116) |
| Other assets | (362,291) | (329,870) |
| Fixed assets | (3,566,162) | (3,242,141) |
| Total financial assets available within one year | $ 2,088,036 | $ 1,869,358 |

The university's endowment funds consist of donor-restricted and board-designated endowment funds. As described in Note 4, the university has an endowment spending distribution policy with a spending rate range of 3.0% to 5.5% of the five-year average market value of a unit of the pooled endowment. For fiscal year 2024, the Board of Trustees approved a spending rate which will generate an endowment payout equaling or exceeding that of fiscal year 2023, including an allocation to the treasurer's investment pool, which will be available for operations during fiscal year 2024.

In addition to these available financial assets, the university's annual expenditures will be primarily funded by current year operating revenues including tuition, patient services income, and sponsored research income. As part of the university's liquidity management, a policy is in place to structure its financial assets to be available as general expenditures, liabilities, and other obligations come due. The university also invests cash in excess of daily requirements in

*(All amounts in thousands of dollars)*

short-term investments. Furthermore, 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 that are free from investment restrictions could be made available if necessary. Other long-term investments are primarily composed of amounts designated by the university as reserves. Such investments are without donor restriction and could be drawn upon in the event of extreme stress. In the event of an unanticipated liquidity need, the university could also draw upon $350,000 of available lines of credit at June 30, 2023.

## 6. Accounts and Notes Receivable

Accounts and notes receivable at June 30 were as follows:

| | 2023 | 2022 |
|---|---|---|
| Patient services | $ 526,077 | $ 486,749 |
| Student and parent loans | | |
| Parent loan fund | 46,654 | 43,204 |
| Government student loans | 7,142 | 10,773 |
| Institutional student loans | 16,672 | 17,792 |
| Due from affiliate hospitals | 190,783 | 151,599 |
| Sponsored project receivables | 158,210 | 182,629 |
| Other | 159,244 | 130,957 |
| | 1,104,782 | 1,023,703 |
| Less: Allowance for contractual adjustments and doubtful accounts | (381,567) | (314,135) |
| Total | $ 723,215 | $ 709,568 |

*(All amounts in thousands of dollars)*

## 7. Notes and Bonds Payable

Outstanding principal on bonds and notes payable at June 30, 2023 and 2022 consists of the following:

| | Rates at June 30, 2023 | Maturity | 2023 | 2022 |
|---|---|---|---|---|
| **Missouri Health and Educational Facilities Authority** | | | | |
| $88,000 of 2000B and C Series Variable Rate Bonds, due in full | 0.63% - 4.00% | March 1, 2040 | $ 88,000 | $ 88,000 |
| $25,135 of 2003B Series Variable Rate Bonds, due in full | 0.65% - 4.00% | February 15, 2033 | 25,135 | 25,135 |
| $77,495 of 2011C Series Revenue Bonds due serially from November 15, 2012 to November 15, 2037 | 0.75% - 5.06% | November 15, 2037 | 44,740 | 47,215 |
| $200,785 of 2012A Series Revenue Bonds due serially from February 15, 2023 to February 15, 2047 | 2.39% - 3.69% | February 15, 2047 | 180,785 | 200,785 |
| $150,000 of 2014A Series Revenue Bonds due in full | 4.07% | October 15, 2044 | 150,000 | 150,000 |
| $402,920 of 2016A Series Revenue Bonds due in full January 15, 2036 ($109 ,300) and January 15, 2046 ($293,620) | 3.47% - 3.65% | January 15, 2036 and 2046 | 402,920 | 402,920 |
| $272,750 of 2016 B Series Revenue Bonds due in full | 3.09% | September 15, 2051 | 272,750 | 272,750 |
| $375,000 of 2017 A Series Revenue Bonds, due in full | 3.65% | August 15, 2057 | 375,000 | 375,000 |
| $450,000 of 2020 A Series Revenue Bonds, due in full | 3.23% | May 15, 2050 | 450,000 | 450,000 |
| **Other Bonds:** | | | | |
| $131,435 of 2015A Series Taxable Bonds due in full | 3.79% | October 15, 2055 | 131,435 | 131,435 |
| $1,000,000 of 2022 Series Taxable Bonds, due in full | 3.52% - 4.35% | April 15, 2054 | | |
| on April 15, 2054 and April 15, 2122 | | and 2122 | 1,000,000 | 1,000,000 |
| Other notes payable with various maturities | | | 153,484 | 196,611 |
| Total outstanding notes and bonds payable | | | 3,274,249 | 3,339,851 |
| Unamortized original issue premiums/discounts and cost of issuance, net | | | (14,774) | (15,250) |
| Total | | | $ 3,259,475 | $3,324,601 |

Bonds payable are redeemable at the option of the university at various times from 2023 through 2122. The university is required to maintain certain ratios and comply with other restrictive covenants principally that the university maintains a ratio of expendable financial resource to bonds and notes payable of at least 1.25 times. The university is in compliance with this covenant. During 2023 and 2022, interest, accretion of debt discount and related fees incurred on notes and bonds payable totaled $116,923 and $84,511, respectively.

*(All amounts in thousands of dollars)*

Maturities on notes and bonds payable for the next five fiscal years are as follows:

| | | |
|---|---|---|
| 2024 | $ | 2,577 |
| 2025 | | 16,967 |
| 2026 | | 134,837 |
| 2027 | | 32,522 |
| 2028 | | 2,607 |
| Thereafter | | 3,084,739 |

The university has other lines of credit, which generally expire annually, aggregating to $350,000, of which $350,000 is available at June 30, 2023. The university expects that these lines of credit will be renewed but can make no assurances.

## 8. Operating Leases

The university and its consolidated affiliates primarily lease laboratories, office space, and medical offices for educational, research, and patient care purposes under operating leases expiring through fiscal 2033. At June 30, 2023 and 2022, the weighted average remaining lease term was 5.8 and 6.0 years and the weighted average discount rate was 3.65% and 3.05%, respectively. Lease expense is included in supplies, services, and other on the consolidated statement of activities.

The undiscounted cash flows due by fiscal year related to significant non-cancelable operating leases with initial terms in excess of one year as of June 30, 2023, along with a reconciliation to the discounted amount recorded as of June 30, 2023 were as follows:

| | | |
|---|---|---|
| 2024 | $ | 24,314 |
| 2025 | | 21,563 |
| 2026 | | 20,589 |
| 2027 | | 16,324 |
| 2028 | | 13,230 |
| Thereafter | | 18,815 |
| Total minimum lease payments | $ | 114,835 |
| Less: Imputed interest | | (10,748) |
| Total lease liabilities | $ | 104,087 |

## 9. Derivative and Other Financial Instruments

The university utilizes derivative instruments including futures, swaps, and options, to manage market risk, to provide temporary investment exposure in stocks and bonds, and to manage currency and interest rate exposures. When directly implementing a derivative strategy, the university uses a third party manager to execute, settle and manage the positions on a non-discretionary basis. These contracts are valued at periodic intervals such as daily, monthly, and

*(All amounts in thousands of dollars)*

quarterly as well as at June 30, with the resulting changes in the values of the contracts either added to or deducted from the university's custodial account. Gains or losses from these derivative instruments are reported as realized and unrealized gains or losses in the consolidated statements of activities. Indirect strategies in derivatives held by limited partnerships and commingled investment trusts in which the university invests pose no off-balance sheet risk to the university due to the limited liability structure of the investments. Derivatives are also used to manage operating expenses but are not material to the consolidated financial statements. No derivative contracts are designated as hedges for accounting purposes.

## 10. Functional Expenses

Operating expenses are reported on the consolidated statements of activities in natural categories. Expenses reported by functional categories include allocations of costs for operation and maintenance of plant, interest on indebtedness and depreciation expense. Operation and maintenance of plant and depreciation are allocated to functional categories largely based on square footage. Interest expense is allocated based on specific identification of the uses of debt proceeds. Instruction expenses include instruction, departmental research and patient care costs.

Operating expenses by functional and natural classification for the year ended June 30, 2023 are as follows:

| | Compensation and benefits | Supplies, services and other | Depreciation | Interest | Total |
|---|---|---|---|---|---|
| Instruction | $ 1,668,440 | $ 972,454 | $ 69,197 | $ 33,256 | $ 2,743,347 |
| Research | 435,867 | 279,356 | 67,630 | 17,873 | 800,726 |
| Academic Support | 367,454 | 54,389 | 23,522 | 12,275 | 457,640 |
| Student Services | 65,834 | 66,591 | 6,179 | 2,910 | 141,514 |
| Institutional Support | 186,142 | 38,710 | 16,630 | 2,078 | 243,560 |
| Auxiliary Enterprises | 20,971 | 58,700 | 41,612 | 25,154 | 146,437 |
| Other | 25,603 | 11,309 | 199 | 192 | 37,303 |
| Total | $ 2,770,311 | $ 1,481,509 | $ 224,969 | $ 93,738 | $ 4,570,527 |

Operating expenses by functional and natural classification for the year ended June 30, 2022 are as follows:

| | Compensation and benefits | Supplies, services and other | Depreciation | Interest | Total |
|---|---|---|---|---|---|
| Instruction | $ 1,540,577 | $ 853,231 | $ 81,293 | $ 22,521 | $ 2,497,621 |
| Research | 400,359 | 236,454 | 53,147 | 12,692 | 702,652 |
| Academic Support | 317,319 | 36,562 | 34,553 | 11,443 | 399,877 |
| Student Services | 58,693 | 47,722 | 2,373 | 911 | 109,699 |
| Institutional Support | 145,668 | 35,268 | 6,541 | 691 | 188,168 |
| Auxiliary Enterprises | 18,121 | 53,117 | 37,904 | 26,481 | 135,624 |
| Other | 26,118 | 15,663 | 2,260 | 147 | 44,188 |
| Total | $ 2,506,855 | $ 1,278,017 | $ 218,070 | $ 74,887 | $ 4,077,829 |

*(All amounts in thousands of dollars)*

## 11. Commitments and Contingencies

At June 30, 2023 and 2022, the university had outstanding commitments under certain construction contracts in the amount of $248,572 and $507,830, respectively.

The university maintains a self-insurance program for professional liability at the Medical School and a separate program for Washington University Physicians in Illinois. This program is supplemented with commercial excess insurance above the university's self-insurance retention. Funding for the program reserves is based on claims made. The assets supporting the funded reserve are reported as investments in the consolidated statements of financial position. The university also accrues for an estimate of claims incurred but not reported. Reserves, funded and unfunded, are based upon actuarial studies and represent undiscounted estimated claims and related costs. The total self-insurance reserves at June 30, 2023 and 2022, respectively, were $104,012 and $110,170. Self-insurance reserves are necessarily estimates based on historical loss experience and other factors, and while management believes that the reserves are adequate, the ultimate liabilities may be in excess of or less than the amounts provided.

The university is a party, along with other universities, to an agreement with a reciprocal risk retention group for purposes of obtaining general liability and auto liability insurance coverage in excess of a pre-determined retention level. Under the terms of these agreements, the university can be called upon to make additional capital contributions. In management's view, any such capital calls would not be material.

The university is involved in various legal proceedings arising in the normal course of operations. Although the outcome of any legal proceeding cannot be predicted with certainty, it is the opinion of the university's management that the outcome of these proceedings individually or in the aggregate, will not have a material adverse effect on the business, consolidated statements of activities, financial position or liquidity of the university.

## 12. Retirement Plan

The university provides its faculty and staff with a defined contribution (403(b)) retirement savings plan in which employee contributions, university contributions and investment earnings accumulate to assist employees at retirement. Participating employees own individual retirement accounts through the Teachers Insurance and Annuity Association (TIAA) and College Retirement Equity Fund (CREF). Under this arrangement, the university and plan participants make monthly contributions to TIAA-CREF. The amount of contribution made by the university is based on employee's hire date and/or age. Vesting provisions are full and immediate. The university's share of the cost of these benefits in 2023 and 2022 was $121,010 and $117,581, respectively.

## 13. Agreements with Affiliated Hospitals

The university has an affiliation agreement with BJC in relation to Barnes Jewish Hospital (BJH), St. Louis Children's Hospital (SLCH), and Barnes Jewish West County Hospital (BJWCH), collectively the Hospitals, which expires December 31, 2027, but may be canceled upon a one-year written notice by either party. This agreement relates to various operating activities of the Hospitals including Orthopedic Center (OC) in Chesterfield, Siteman Cancer

*(All amounts in thousands of dollars)*

Center – South County, Center for Advanced Medicine (CAM) in South County, BJH Psychiatric Support Center (PSC), Children's Specialty Care Center in Town and Country, and Children's Specialty Care Center in South County.

Under the terms of the affiliation agreement, the university trains and supervises medical residents and interns and manages certain clinical and research activities of the Hospitals. The Hospitals compensate the university for services provided through a fixed annual base payment (adjusted annually for inflation) plus an additional variable payment based on the combined net operating income of the Hospitals. In addition, the university derives revenue from patient services provided at Barnes-Jewish at St. Peters Hospital under an agreement with that hospital and BJH. Payments to the university under affiliation agreements are reported as affiliated hospital revenue on the consolidated statements of activities (see footnote 1). During 2013, BJH agreed to fund on a cost-reimbursement basis over a period of years, certain expenditures by the university. Payments of $40,855 and $56,235 were received or accrued as gifts on the consolidated statements of activities under the agreement during 2023 and 2022, respectively.

### 14. Subsequent Events

The university has performed an evaluation of subsequent events through October 6, 2023, which is the date the consolidated financial statements were issued.