Whitworth University

Consolidated Financial Statements

June 30, 2022 and 2021

Whitworth University

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Independent Auditors' Report

To the Board of Trustees of
Whitworth University

Opinion

We have audited the consolidated financial statements of Whitworth University and subsidiaries (the University), which comprise the consolidated statements of financial position as of June 30, 2022 and 2021, and the related consolidated statements of activities and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the University as of June 30, 2022 and 2021, 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 (GAAP).

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (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 audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with GAAP, 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 within one year after the date that the 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 GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the University's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the University's ability to continue as a going concern for a reasonable period of time.

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

Baker Tilly US, LLP

Minneapolis, Minnesota
November 17, 2022

Whitworth University

Consolidated Statements of Financial Position
June 30, 2022 and 2021
(In Thousands of Dollars)

	2022	2021
Assets		
Cash and cash equivalents	$ 4,043	$ 4,661
Receivables:		
Student accounts, net of allowance for doubtful accounts of $550 in 2022 and $402 in 2021	1,116	1,412
Contributions, net	8,426	10,224
Other	2,797	2,333
Other assets	3,084	2,292
Student loans receivable, net	1,841	2,297
Investments	195,163	214,431
Deposits held by trustee	5,010	8,471
Land, buildings and equipment, net	134,052	129,011
Assets held in trust by others	29,515	31,727
Total assets	$ 385,047	$ 406,859
Liabilities and Net Assets		
Liabilities		
Accounts payable and other liabilities	$ 2,663	$ 4,287
Accrued payroll and related benefits	5,801	5,656
Student deposits	1,877	2,231
Deferred revenue	747	1,785
Service concession arrangement obligations	3,623	3,953
Asset retirement obligations	1,245	1,180
Accrued interest payable	1,055	1,097
Long-term debt	95,505	93,652
Annuities payable	6,714	8,465
Federal student loan funds	1,233	1,753
Total liabilities	120,463	124,059
Net Assets		
Without donor restrictions	79,626	77,790
With donor restrictions	184,958	205,010
Total net assets	264,584	282,800
Total liabilities and net assets	$ 385,047	$ 406,859

See notes to consolidated financial statements

Whitworth University

Consolidated Statement of Activities
Year Ended June 30, 2022
With Comparative Totals for 2021
(In Thousands of Dollars)

	2022			
	Without Donor Restrictions	**With Donor Restrictions**	**Total**	**2021 Total**
Revenues, Gains and Other Support				
Operating Revenues				
Tuition and fees, net of scholarships and grants of $60,205 and $59,382, respectively	$ 51,644	$ -	$ 51,644	$ 53,309
Government grants	8,445	-	8,445	6,756
Contributions and gifts	3,522	4,764	8,286	8,279
Long-term investment returns allocated for operations	1,378	7,093	8,471	4,738
Other sources	1,488	-	1,488	857
Investment returns	430	-	430	1,088
Auxiliary enterprises revenues	12,265	-	12,265	12,011
	79,172	11,857	91,029	87,038
Net assets released from restrictions, operating	9,430	(9,430)	-	-
Total operating revenues, gains and other support	88,602	2,427	91,029	87,038
Operating Expenses				
Program expenses				
Instruction	34,608	-	34,608	30,683
Public service	1,230	-	1,230	1,031
Academic support	7,920	-	7,920	6,976
Student services	22,041	-	22,041	19,048
Auxiliary enterprises	11,302	-	11,302	10,429
Support expenses				
Institutional support	13,419	-	13,419	11,829
Allocable expenses				
Operation and maintenance of plant	7,432	-	7,432	5,869
Interest	3,655	-	3,655	3,644
Unfunded depreciation, amortization and accretion	5,320	-	5,320	5,913
Less allocated expenses	(16,407)	-	(16,407)	(15,426)
Total operating expenses	90,520	-	90,520	79,996
Change in net assets from operating activities	(1,918)	2,427	509	7,042
Nonoperating Activities				
Long-term investment returns	(2,510)	(10,149)	(12,659)	36,836
Less investment returns allocated for operations	(1,378)	(7,093)	(8,471)	(4,738)
Long-term investment returns, net of allocation to operations	(3,888)	(17,242)	(21,130)	32,098
Change in value of assets held in trust by others	-	(1,957)	(1,957)	3,692
Contributions and gifts	2,351	2,030	4,381	8,552
Adjustment to actuarial liability for annuities payable	(176)	(404)	(580)	2,299
Other sources	347	81	428	128
Adjustment to prior service cost and actuarial liability for retiree health plan	133	-	133	208
Net assets released from restrictions, nonoperating	4,987	(4,987)	-	-
Change in net assets from nonoperating activities	3,754	(22,479)	(18,725)	46,977
Change in net assets	1,836	(20,052)	(18,216)	54,019
Net Assets, Beginning	77,790	205,010	282,800	228,781
Net Assets, Ending	$ 79,626	$ 184,958	$ 264,584	$ 282,800

See notes to consolidated financial statements

Whitworth University

Consolidated Statement of Activities
Year Ended June 30, 2021
(In Thousands of Dollars)

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues, Gains and Other Support			
Operating Revenues			
Tuition and fees, net of scholarships and grants of $59,382	$ 53,309	$ -	$ 53,309
Government grants	6,756	-	6,756
Contributions and gifts	2,714	5,565	8,279
Long-term investment returns allocated for operations	615	4,123	4,738
Other sources	857	-	857
Investment returns	1,088	-	1,088
Auxiliary enterprises revenues	12,011	-	12,011
	77,350	9,688	87,038
Net assets released from restrictions, operating	5,091	(5,091)	-
Total operating revenues, gains and other support	82,441	4,597	87,038
Operating Expenses			
Program expenses			
Instruction	30,683	-	30,683
Public service	1,031	-	1,031
Academic support	6,976	-	6,976
Student services	19,048	-	19,048
Auxiliary enterprises	10,429	-	10,429
Support expenses			
Institutional support	11,829	-	11,829
Allocable expenses			
Operation and maintenance of plant	5,869	-	5,869
Interest	3,644	-	3,644
Unfunded depreciation, amortization and accretion	5,913	-	5,913
Less allocated expenses	(15,426)	-	(15,426)
Total operating expenses	79,996	-	79,996
Change in net assets from operating activities	2,445	4,597	7,042
Nonoperating Activities			
Long-term investment returns	5,758	31,078	36,836
Less investment returns allocated for operations	(615)	(4,123)	(4,738)
Long-term investment returns, net of allocation to operations	5,143	26,955	32,098
Change in value of assets held in trust by others	-	3,692	3,692
Contributions and gifts	357	8,195	8,552
Adjustment to actuarial liability for annuities payable	93	2,206	2,299
Other sources	10	118	128
Adjustment to prior service cost and actuarial liability for retiree health plan	208	-	208
Net assets released from restrictions, nonoperating	784	(784)	-
Change in net assets from nonoperating activities	6,595	40,382	46,977
Change in net assets	9,040	44,979	54,019
Net Assets, Beginning	68,750	160,031	228,781
Net Assets, Ending	$ 77,790	$ 205,010	$ 282,800

See notes to consolidated financial statements

Whitworth University

Consolidated Statements of Cash Flows
Years Ended June 30, 2022 and 2021
(In Thousands of Dollars)

	2022	2021
Cash Flows From Operating Activities		
Change in net assets	$ (18,216)	$ 54,019
Adjustments to reconcile change in net assets to net cash flows from operating activities:		
Depreciation, amortization and accretion	5,320	5,913
Adjustment to prior service cost and actuarial liability for retiree health plan	(133)	(208)
Adjustment to actuarial liability for annuities payable	580	(2,299)
Net losses (gains) on investments	15,302	(34,438)
Change in value of assets held in trust by others	1,957	(3,692)
Change in allowance on student accounts receivable	148	18
Loan cancellations, assignments and write-offs	67	71
Change in assets:		
Student accounts receivable	148	66
Other receivables	(464)	(462)
Other assets	(792)	(251)
Contributions receivable for operations	992	(3,464)
Change in liabilities:		
Accounts payable, other liabilities and accrued interest payable	(1,158)	(179)
Accrued payroll and related benefits	145	(92)
Student deposits	(354)	(1,829)
Deferred revenue	(1,038)	1,077
Contributions restricted for plant and long-term investment	(4,381)	(8,552)
Net cash flows from operating activities	(1,877)	5,698
Cash Flows From Investing Activities		
Student loans receivable		
Principal repayments	477	702
Advances	(88)	(164)
Purchases of land, buildings and equipment	(10,671)	(18,915)
Proceeds from sales of long-term investments	117,249	155,423
Purchases of long-term investments	(113,028)	(160,551)
Net cash flows from investing activities	(6,061)	(23,505)
Cash Flows From Financing Activities		
Contributions received restricted for plant and long-term investment	5,187	7,255
Change in service concession arrangement obligations	(330)	3,693
Drawdowns of debt proceeds/deposits held by trustee	3,461	11,537
Proceeds from issuance of debt	21,402	-
Payments on long-term debt	(19,549)	(1,915)
Payments to annuitants	(2,331)	(860)
Net change in federal student loan funds	(520)	(587)
Net cash flows from financing activities	7,320	19,123
Net change in cash and cash equivalents	(618)	1,316
Cash and Cash Equivalents, Beginning	4,661	3,345
Cash and Cash Equivalents, Ending	$ 4,043	$ 4,661
Supplemental Disclosures		
Interest paid (net of capitalized interest)	$ 3,697	$ 3,661
Capitalized interest	$ 793	$ 712
Capital acquisitions included in accounts payable	$ 1,417	$ 1,727

See notes to consolidated financial statements

1. Summary of Significant Accounting Policies

Whitworth University, a higher education institution founded in 1890, was incorporated in 1972 as a tax-exempt charitable organization under Section 501(c)(3) of the Internal Revenue Code and is located in Spokane, Washington. Whitworth University's primary source of revenue comes from tuition. Other sources of revenue include room and board, gifts and investment earnings. The financial statements have been prepared on the accrual basis of accounting. The more significant accounting policies are summarized below:

Consolidation

The consolidated financial statements include the accounts of Whitworth University, Whitworth Costa Rica Limited, and The Whitworth Foundation (the Foundation), collectively referred to as the University. The purpose of Whitworth Costa Rica Limited is to provide educational services to Whitworth University students at a campus located in Costa Rica and the purpose of the Foundation is to seek out and obtain deferred gifts to support Whitworth University. See Note 18 for summarized financial information related to these entities. All transactions and balances between the entities have been eliminated in the consolidated financial statements.

Net Asset Classification

For the purposes of financial reporting, the University classifies resources into two net asset categories pursuant to any donor-imposed restrictions and applicable law. Accordingly, the net assets of the University are classified in the accompanying financial statements in the categories that follow:

With Donor Restrictions - Net assets subject to donor-imposed stipulations that will be met by action of the University and/or the passage of time. The University's net assets held in perpetuity are endowment funds invested to support scholarships and various academic programs.

Without Donor Restrictions - Net assets that are not subject to donor-imposed stipulations.

The Board of Trustees has established policies that affect the presentation of board designations on net assets without donor restrictions. Bequests and matured deferred gifts without donor restrictions are added to the board designated endowment, unless the board specifically authorizes they be used for other purposes. The board has designated other funds for future capital projects and related initiatives and has delegated to management the authority to approve expenditures of these funds.

Revenues from sources other than contributions are generally reported as increases in net assets without donor restrictions. Expenses are reported as decreases in that category. Income earned on donor restricted funds is initially classified as net assets with donor restrictions and is reclassified to net assets without donor restrictions when expenses are incurred for their intended purpose.

Unconditional contributions, including promises to give, are recognized as revenues in the period received and are reported as increases in the appropriate categories of net assets in accordance with donor restrictions. Expirations of donor-imposed restrictions on net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as reclassifications between the two classes of net assets. Conditional promises to give are that is those with a measurable performance or other barrier and a right of return and are not recognized until they become unconditional, that is, when the conditions on which they depend are substantially met. Contributions of property and equipment without donor stipulations concerning the use of such long-lived assets are reported as revenues in net assets without donor restrictions. Contributions of cash or other assets to be used to acquire property and equipment are reported as revenues in net assets with donor restrictions; the restrictions are considered to be met and released when the asset is placed in service, unless stipulated otherwise by the donor.

Gains and losses on investments are reflected in the net asset category of the corresponding assets.

Measure of Operations

Operating revenues and expenses relate primarily to educational programs and supporting activities, net assets released from donor restrictions to support operating expenditures, and transfers from board-designated and other non-operating funds to support current operating activities. Nonoperating activities consist primarily of investment returns, net of amounts made available for current support, via the University's spending policy, gifts for long-term purposes such as plant projects and endowment funds and gains or losses on debt financing transactions.

Tuition and Fees Revenue

The University provides academic instruction toward baccalaureate, master and doctoral degrees. Tuition and fee revenue is recognized in the fiscal year in which the academic programs are delivered. Institutional scholarships awarded to students reduce the amount of revenue recognized. In addition, students who adjust their course load or withdraw completely within the first eight weeks of the semester may receive a partial refund in accordance with the University's refund policy. Refunds issued reduce the amount of revenue recognized. Payments for services are due August 15th for Fall semester and January 15th for the Spring semester. Performance obligations for certain ancillary services are satisfied when the service is performed. The University applies the practical expedient as allowed for within the accounting standards and, therefore, does not disclose information about remaining performance obligations that have original expected durations of one year or less. All remaining performance obligations will be satisfied in connection with the completion of the 2022/2023 academic year. The University determines the transaction price based on standard charges for goods and services provided, reduced by discounts relating to institutional scholarships, both funded and unfunded, in accordance with the University's policies.

Auxiliary Revenue

The University also provides auxiliary services, such as residence and food services. Revenue from these services is recognized in the fiscal year in which the goods and services are provided. Students that withdraw from the University within the first eight weeks of the semester may receive a partial refund in accordance with the University's refund policy. Refunds issued reduce the amount of revenue recognized.

Government Grants

Funds provided by the United States government under the Federal Perkins Loan Program are loaned to qualified students and may be reloaned after collections. These funds are ultimately refundable to the government and are included as liabilities in the statements of financial position. Revenues from government grants are considered to be conditional contributions as the transactions are non-reciprocal in nature and contain a right of return. As such, revenues from grants are recognized when the conditions are met, that is as allowable expenditures under such agreements are incurred, and reported as increases in net assets without donor restrictions.

The Coronavirus Aid, Relief, and Economics Security (CARES) Act provided budgetary relief to higher education institutions. Congress set aside approximately $14.25 billion of the $30.75 billion allotted to the Education Stabilization Fund through the Higher Education Emergency Relief Fund (HEERF). Each institution received one grant comprised of two parts. Under the legislation, no less than 50 percent of the full grant was to be used for direct emergency aid to students. The remaining portion of the full grant was to be used by institutions to cover any costs associated with significant changes to the delivery of instruction due to the coronavirus. The University was awarded approximately $2,840 of HEERF funding; $1,420 related to the student portion and $1,420 related to the institutional portion.

For fiscal 2020, $712 of the student relief portion of the grant was disbursed to students and recognized as federal grant revenue, and correspondingly student services expense (grants to students for unanticipated costs). $712 of the institutional portion of the grant was recognized as federal grants revenue in fiscal 2020. The remaining $708 related to the student portion was recognized in fiscal year 2021 after disbursements were made to students. The remaining $708 related to the institutional portion was also recognized as grant revenue in fiscal year 2021.

The HEERF II was authorized by the Coronavirus Response and Relief Supplemental Appropriations Act, 2021 and was signed into law on December 27, 2020. In total, the CRRSAA authorized $82 billion in support for education. The University was awarded approximately $4,295 of HEERF II funding. Of this amount, $1,420 related to the student portion and $2,875 related to the institutional portion. The entire amount of the student relief portion of the grant was expended and recognized as federal grants income and student aid expense in fiscal 2021. Similarly, the entire amount of the institutional portion of the grant was recognized as grant revenue in fiscal 2021.

The HEERF III was authorized by the American Rescue Plan and was signed into law on March 11, 2021. In total, the ARP authorized $40 billion in support to institutes of higher education to serve students and ensure learning continues during the COVID-19 pandemic. The University was awarded $7,588 of HEERF III funding. Of this amount, $3,795 related to the student portion and $3,793 related to the institutional portion. As of June 30, 2022, all portions of the grant were expended in full and recognized as grant revenue in fiscal 2022.

Deferred Revenue

Certain revenue related to summer courses and programs is deferred and recognized as revenue as the performance obligation is satisfied, that is, ratably over the duration of the summer course and program delivery. Students are generally billed for courses and programs prior to the start of the course or program.

Cash and Cash Equivalents

The University considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents. Cash and cash equivalents do not include investments the University has both the ability and intent to hold long-term. Certain cash held by the University is restricted for the Perkins Loan Fund.

Student Accounts Receivables

Student accounts receivables include amounts due to the University for tuition and fees. An allowance for doubtful accounts is recorded annually based on historical experience and management's evaluation of receivables at the end of each year. Bad debts are expensed when deemed uncollectible. Recoveries of student accounts previously written-off are recorded when received. Receivables are generally unsecured.

Deposits Held by Trustee

Deposits held by trustee include debt proceeds restricted for construction costs. The assets are comprised of cash equivalents and short-term investments.

Land, Buildings and Equipment

Land, buildings, improvements and equipment are recorded at cost at the date of acquisition or at fair value at the date of gift, less accumulated depreciation. Normal repair and maintenance expenses are charged to operations as incurred. The University capitalizes land, buildings and equipment expenditures in excess of five thousand dollars. Title to land and buildings is principally in the name of the University. Buildings, improvements and equipment are depreciated using the straight-line method over the following estimated useful lives:

Buildings	50 to 60 years
Building and other improvements	5 to 30 years
Equipment	5 to 8 years

Upon sale or retirement of property and equipment, the related cost and accumulated depreciation are removed from the accounts and the resulting gains or losses are reflected in the statement of activities.

Impairment of Long-Lived Assets

The University reviews long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of such assets may not be recoverable. Recoverability of these assets is determined by comparing the forecasted undiscounted net cash flows of the operation to which the assets relate to the carrying amount. If the operation is determined to be unable to recover the carrying amount of its assets, then assets are written down first, followed by other long-lived assets of the operation to fair value. Fair value is determined based on discounted cash flows or appraised values, depending on the nature of the assets. For the years ended June 30, 2022 and 2021, there were no impairment losses of significance recognized for long-lived assets.

Assets Held in Trust by Others

The University has been designated as beneficiary of several trusts managed by outside foundations. Some of these trusts generate income that is distributed to the University on a periodic basis. Those trusts are generally invested in marketable securities, real estate, or contracts collateralized by real estate.

Asset Retirement Obligations

The University recognizes the fair value of a liability for legal obligations associated with asset retirements in the period in which it is incurred, if a reasonable estimate of the fair value of the obligation can be made. When the liability is initially recorded, the cost of the retirement obligation is capitalized by increasing the carrying value of the related asset. Over time, the liability is accreted to its present value each year and the capitalized cost associated with the retirement obligation is depreciated over the useful life of the related asset. Upon settlement of the obligation, any difference between the cost to settle the asset retirement obligation and the liability recorded is recognized as a gain or loss in the statement of activities. The University reviews its estimates annually and adjusts the recorded liability as needed.

Substantially all of the University's asset retirement obligations relate to estimated costs to remove asbestos from campus facilities. The estimate of the losses that are probable for asbestos removal was calculated using the expected cash flow approach and based on an inventory of the University's long-lived assets combined with an estimate of the current market prices to remove the asbestos. The University utilized a credit-adjusted risk-free rate to discount the asset retirement obligations.

(in thousands of dollars)

Changes in the accrual for asset retirement obligations during the years ended June 30, 2022 and 2021 are as follows:

	2022	2021
Balance, Beginning of the year	$ 1,180	$ 1,118
Accretion expense	65	62
Balance, End of year	$ 1,245	$ 1,180

Income Tax Status

The Internal Revenue Service has determined that both the University and Foundation are exempt from federal and state income tax under Section 501(c)(3) of the Internal Revenue Code. Accordingly, the University and Foundation are not subject to federal income taxes except to the extent they generate income from certain activities not substantially related to their tax-exempt purpose (unrelated trade or business activities). Donations to the University and Foundation are tax deductible. Whitworth Costa Rica Limited is a taxable corporation for purposes of Costa Rican income tax law.

The University follows the accounting standards for contingencies in evaluating uncertain tax positions. This guidance prescribes recognition threshold principles for the financial statement recognition of tax positions taken or expected to be taken on a tax return that are not certain to be realized. No liability has been recognized by the University for uncertain tax positions as of June 30, 2022 and 2021. The University's tax returns are subject to review and examination by federal authorities.

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 that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Fund-Raising and Advertising Expenses

Fund-raising expenses totaled $3,097 and $3,015 for the years ended June 30, 2022 and 2021, respectively. Advertising costs are expensed when incurred.

Functional Allocation of Expenses

The costs of providing the various programs and other activities have been summarized on a functional basis in the statement of activities and in Note 17. Accordingly, certain expenses have been allocated among the programs and supporting services benefited.

Reclassifications

Certain amounts appearing in the 2021 financial statements have been reclassified to conform with the 2022 presentation. The reclassifications have no effect on the reported amounts of total net assets or changes in total net assets.

(in thousands of dollars)

2. Liquidity and Availability

The following table reflects the University's financial assets as of June 30, 2022 and 2021, reduced by amounts not available for general expenditures within one year. Financial assets are considered unavailable when illiquid or not convertible to cash within one year. Other financial assets that are excluded from this measure of liquidity include endowments and accumulated earnings restricted by donors or the University's Board of Trustees, bond reserves that can only be used for specific capital projects, assets held for or by others and annuity reserves.

	2022	2021
Financial assets:		
Cash and cash equivalents	$ 4,043	$ 4,661
Short-term investments	32,086	33,415
Contributions receivable	8,426	10,224
Accounts receivable from students and others	3,913	3,745
Student loan receivables	1,841	2,297
Long-term investments	163,077	181,016
Deposits held by trustee	5,010	8,471
Assets held in trust by others	29,515	31,727
Financial assets at June 30	247,911	275,556
Less those unavailable for general expenditure within one year:		
Contributions receivable for construction projects and endowments	1,840	4,583
Short-term investments held for plant and endowment	9,121	12,428
Receivables due beyond one year	1,126	1,014
Student loan receivables restricted for financial aid purposes	1,841	2,297
Endowment assets restricted by donors, net of appropriation for next year	132,225	147,622
Endowment assets designated by the Board of Trustees, net of appropriation for next year	16,841	18,858
Bond proceeds and reserves restricted by use	5,010	8,471
Investments held for others connected to split-interest agreements	15,799	18,531
Assets held in trust by others	29,515	31,727
Financial assets not available for expenditure within one year	213,318	245,531
Financial assets available to meet cash needs for general purposes within one year	$ 34,593	$ 30,025

(in thousands of dollars)

The University's practice is to structure its financial assets to be available as its general expenses, liabilities and obligations come due and targets a minimum of 60 days of operating expense coverage at any point in time. As of June 30, 2022, the University has achieved this target.

Cash in excess of daily requirements is typically invested in short-term, liquid securities. The University also has an unsecured $1,000 line of credit with Wells Fargo Bank currently available through February 1, 2023. No funds have been drawn from this line since its inception. Borrowings under this line of credit bear interest at an annual rate of 2.50 percent above the Daily Simple SOFR in effect from time to time. Interest is payable on the last day of each month.

3. Restrictions and Limitations on Net Asset Balances

Net assets with donor restrictions consist of the following at June 30:

	2022	2021
Scholarships, instruction and other departmental support	$ 9,822	$ 7,365
Gifts restricted for capital acquisitions	1,836	6,030
Student loan funds	1,145	1,136
Endowment funds	165,910	183,349
Annuity, life income and similar funds	6,245	7,130
	$ 184,958	$ 205,010

Net assets without donor restrictions consist of the following at June 30:

	2022	2021
Operations	$ 11,060	$ 10,742
Plant	48,418	44,062
Endowment funds	17,234	19,858
Annuity, life income and similar funds	2,914	3,128
	$ 79,626	$ 77,790

Net assets restricted in perpetuity totaled $110,195 and $111,112 at June 30, 2022 and 2021, respectively, which includes the annuity, life income and similar funds above.

4. Net Assets Released from Restrictions

Net assets released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of events specified by the donors totaled $14,417 and $5,875 during the years ended June 30, 2022 and 2021, respectively. The expenses related to capital expenditures ($4,987 and $784 for 2022 and 2021, respectively), scholarships, instruction and other departmental support ($9,430 and $5,091 for 2022 and 2021, respectively).

(in thousands of dollars)

5. Contributions Receivable

Unconditional promises to give are included in the consolidated financial statements as contributions receivable and revenue of the appropriate net asset category. Receivables are recorded net of a discount to reflect the estimated present value of the expected future cash flows to be received. Contributions receivable include the following unconditional promises to give at June 30:

	2022	2021
Without donor restrictions, completed capital projects	$ 538	$ 1,355
Without donor restrictions, operating	80	335
With donor restrictions:		
Current scholarships, departmental programs and activities	6,768	4,488
Building construction and remodeling	756	2,934
Endowment for scholarships and departmental programs and activities	1,084	1,649
Gross unconditional promises to give	9,226	10,761
Less allowance for uncollectible promises	(400)	(400)
Less unamortized discount	(400)	(137)
Total	$ 8,426	$ 10,224
Amounts due in:		
Within one	$ 514	
One to five years	8,712	
	$ 9,226	

Promises due in more than one year were discounted at rates ranging between 0.6 and 6 percent at June 30, 2022 and 2021. Promises due in less than one year were not discounted.

Amounts due from members of the Board of Trustees were approximately $3,413 and $2,184 as of June 30, 2022 and 2021, respectively. For the years ended June 30, 2022 and 2021, contributions (new pledges and cash gifts) from members of the Board of Trustees were approximately $1,333 and $999, respectively.

At June 30, 2022 and 2021, the University had approximately $1,058 and $7,652, respectively, of conditional contributions outstanding on various grants, whereby, the conditions will be met (and revenue recognized) upon incurring certain qualifying expenditures.

6. Fair Value Measurements

Fair Value Hierarchy

Fair value is defined in the accounting guidance as the exchange price that would be received to sell an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the assets or liability in an orderly transaction between market participants at the measurement date. Under this guidance, a three-level hierarchy is used for fair value measurements which are based on the transparency of information, such as the pricing source, used in the valuation of an asset or liability as of the measurement date.

Financial instruments measured and reported at fair value are classified and disclosed in one of the following three categories.

Level 1 - Inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the reporting entity can access at the measurement date.

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

Level 3 - Inputs are unobservable for the asset or liability. Unobservable inputs reflect the assumptions that market participants would use in pricing the asset or liability (including assumptions about risk) using the best information available in the circumstances, which may include using the reporting entity's own data.

Valuation Techniques and Inputs

Level 1 assets include:

- Investments in equity securities for which quoted prices are readily available.
- Investments in certain fixed income securities (U.S. Treasury notes) as they trade with sufficient frequency and volume to enable the University to obtain pricing information on an ongoing basis.
- Investments in mutual funds for which quoted prices are readily available.

Level 2 assets include:

- Investments in certain fixed income securities (corporate bonds and notes) for which quoted prices are not readily available. The fair values are estimated using Level 2 inputs based on multiple sources of information, which may include market data and/or quoted market prices from either markets that are not active or are for the same or similar assets in active markets.

Level 3 assets include:

- Assets held in trust by others for which quoted prices are not readily available. The fair values are estimated using an income approach by calculating the present value of the future distributions expected to be received based on a combination of Level 2 inputs (interest rates and yield curves) and significant unobservable inputs (entity specific estimates of cash flows). Since the University has an irrevocable right to receive the income earned from the trusts' assets, the fair value of the University's beneficial interest is estimated to approximate the fair value of the trusts' assets.

(in thousands of dollars)

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, the level in the fair value hierarchy within which the fair value measurement in its entirety falls has been determined based on the lowest level input that is significant to the fair value measurement in its entirety. The assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment and considers factors specific to the asset or liability.

Alternative investments in privately-held investment funds are measured at fair value using the net asset value per share (or its equivalent) of such investment funds as a practical expedient for fair value. The University has estimated the fair value of privately-held investment funds by using the net asset value provided by the investee as of June 30.

There have been no changes in the techniques and inputs used as of June 30, 2022 and 2021.

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.

The following table presents information about the University's assets measured at fair value on a recurring basis as of June 30, 2022:

	Total	Level 1	Level 2	Level 3
Assets:				
Equity securities	$ 1,358	$ 1,358	$ -	$ -
Fixed income securities	38,488	21,943	16,545	-
Global equity index	44,558	44,558	-	-
Mutual funds:				
Domestic equity	6,588	6,588	-	-
Domestic fixed income	23,024	19,645	3,379	-
International equity	28,823	28,823	-	-
International fixed income	1,644	1,644	-	-
Assets held in trust by others	29,515	-	-	29,515
Subtotal by valuation hierarchy	173,998	$ 124,559	$ 19,924	$ 29,515
Alternative investments measured using net asset value	40,280			
Total assets at fair value	$ 214,278			

(in thousands of dollars)

The following table presents information about the University's assets measured at fair value on a recurring basis as of June 30, 2021:

	Total	Level 1	Level 2	Level 3
Assets:				
Equity securities	$ 1,631	$ 1,631	$ -	$ -
Fixed income securities	20,506	3,598	16,908	-
Global equity index	51,715	51,715	-	-
Mutual funds:				
Domestic equity	7,956	7,956	-	-
Domestic fixed income	35,892	32,273	3,619	-
International equity	33,327	33,327	-	-
International fixed income	2,036	2,036	-	-
Assets held in trust by others	31,727	-	-	31,727
Subtotal by valuation hierarchy	184,790	$ 132,536	$ 20,527	$ 31,727
Alternative investments measured using net asset value	50,878			
Total assets at fair value	$ 235,668			

The following table presents a reconciliation of the statement of financial position amounts for assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3) for the year ended June 30, 2022:

	Balances June 30, 2021	Unrealized Losses	Purchases and Additions	Sales and Distributions	Net Transfers in (Out) of Level 3	Balances June 30, 2022
Assets:						
Assets held in trust by others	$ 31,727	$ (1,957)	$ -	$ (255)	$ -	$ 29,515

Total change in net assets from unrealized losses produced by Level 3 assets still held at June 30, 2022	$ (1,957)

The following table presents a reconciliation of the statement of financial position amounts for assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3) for the year ended June 30, 2021:

	Balances June 30, 2020	Unrealized Gains	Purchases and Additions	Sales and Distributions	Net Transfers in (Out) of Level 3	Balances June 30, 2021
Assets:						
Assets held in trust by others	$ 28,096	$ 3,692	$ -	$ (61)	$ -	$ 31,727

Total change in net assets from unrealized gains produced by Level 3 assets still held at June 30, 2021.	$ 3,692

(in thousands of dollars)

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

The following table lists the alternative investments in which NAV was utilized as the practical expedient for estimating fair value by major category as of June 30, 2022 and 2021:

	Hedge Funds	Fixed Income	Real Assets	Limited Partnerships	Private Equity Funds
Fair value, June 30, 2022	$ 6,453	$ -	$ 14,733	$ 2,713	$ 16,381
Fair value, June 30, 2021	9,778	12,103	14,255	2,821	11,921
Significant investment strategy	Assets intended to diversify risk from traditional return sources and lower correlation to broad stock and fixed income markets.	Assets intended to provide income through yield on debt, provide risk mitigation, and diversify return sources.	Assets intended to provide long term returns above the inflation rate and maintain purchasing power.	Limited partnership structure is used to invest in private companies to seek returns above those of public equity markets.	Private equity structure is used to invest in private companies to seek returns above those of public equity markets.
Remaining life	N.A.	N.A.	Minimum of 10 years	Minimum of 16 years	4 years
Dollar amount of unfunded commitments	N.A.	N.A.	$ 1,175	$ 681	$ 4,541
Timing to draw down commitments	N.A.	N.A.	3 to 5 years	3 to 5 years	3 to 5 years
Redemption terms	N.A.	Daily	90 days notice	N.A.	N.A.
Redemption restrictions	N.A.	N.A.	Limited by available liquidity	N.A.	N.A.

(in thousands of dollars)

7. Investments, and Deposits Held by Trustee

The following summarizes the University's investments, and the deposits held by trustee at June 30:

	2022	2021
At fair value:		
Equity securities	$ 1,358	$ 1,631
Fixed income securities	38,488	20,506
Global equity index	44,558	51,715
Mutual funds:		
Domestic equity	6,588	7,956
Domestic fixed income	23,024	35,892
International equity	28,823	33,327
International fixed income	1,644	2,036
Alternative investments:		
Funds of funds:		
Fixed income	-	12,103
Hedge funds	6,453	9,778
Real assets	14,733	14,255
Limited partnerships	2,713	2,821
Private equity funds	16,381	11,921
Total investments at fair value	184,763	203,941
At cost:		
Cash and short-term investments	11,578	15,219
Real estate	23	23
Single premium life insurance policy	173	168
Cash surrender value of life insurance policies	3,636	3,551
	$ 200,173	$ 222,902

Investments, and deposits held by trustee are allocated as follows at June 30:

	2022	2021
Short-term investments	$ 32,086	$ 33,415
Long-term investments	163,077	181,016
Deposits held by trustee (Note 10)	5,010	8,471
Total	$ 200,173	$ 222,902

Investments, in general, are subject to various risks, including credit, interest and overall market volatility risks. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the consolidated financial statements.

Through the University's investment in other investments, the University is indirectly involved in investment activities such as securities lending, trading in futures, forward contracts and other derivative products. Derivatives are used to adjust portfolio risk exposure. While these instruments may contain varying degrees of risk, the University's risk with respect to such transactions is limited to its respective capital balance in each investment. These interests have varying degrees of liquidity.

(in thousands of dollars)

8. Life Insurance Policies

The University and Foundation have received gifts of several life insurance policies and are designated as both the owner and beneficiary of these life insurance policies. At June 30, 2022 and 2021, the insurance coverage aggregated approximately $6,175 and $6,171, respectively, and the cash surrender value totaled $3,636 and $3,551, respectively. Premium payments are required to be made by the donor or the University to continue coverage to the maturity dates.

9. Land, Buildings and Equipment

Activity relating to land, buildings and equipment and the related accumulated depreciation amounts for the year ended June 30, 2022 is as follows:

	Beginning Balance	Additions	Deductions	Ending Balance
Land	$ 5,633	$ -	$ -	$ 5,633
Buildings	166,631	21,736	-	188,367
Buildings and other improvements	28,882	1,907	-	30,789
Equipment	18,675	907	(66)	19,516
Construction in progress	14,797	-	(13,863)	934
	234,618	24,550	(13,929)	245,239
Less accumulated depreciation for:				
Buildings	(74,429)	(3,514)	-	(77,943)
Buildings and other improvements	(16,224)	(1,078)	-	(17,302)
Equipment	(14,954)	(1,031)	43	(15,942)
Total accumulated depreciation	(105,607)	(5,623)	43	(111,187)
	$ 129,011	$ 18,927	$ (13,886)	$ 134,052

The University completed significant projects during the year which were included in construction in progress as of June 30, 2021. Projects included health sciences and facilities services buildings with total capitalized costs of $18,184 and $4,901, respectively.

(in thousands of dollars)

Activity relating to land, buildings and equipment and the related accumulated depreciation amounts for the year ended June 30, 2021 is as follows:

	Beginning Balance	Additions	Deductions	Ending Balance
Land	$ 4,934	$ 699	$ -	$ 5,633
Buildings	162,255	5,036	(660)	166,631
Buildings and other improvements	28,043	839	-	28,882
Equipment	18,027	673	(25)	18,675
Construction in progress	2,206	12,591	-	14,797
	215,465	19,838	(685)	234,618
Less accumulated depreciation for:				
Buildings	(70,791)	(3,868)	230	(74,429)
Buildings and other improvements	(15,147)	(1,077)	-	(16,224)
Equipment	(13,893)	(1,086)	25	(14,954)
Total accumulated depreciation	(99,831)	(6,031)	255	(105,607)
	$ 115,634	$ 13,807	$ (430)	$ 129,011

The University has pledged its property of the core campus located in Spokane, Washington to the repayment of its obligations under the loan agreements for the Series 2016, 2019 and 2022 Revenue Bonds (see Note 10).

10. Long-Term Debt

The University had the following long-term debt outstanding at June 30:

	2022	2021
Revenue Bonds, 2012 Series	$ -	$ 17,225
Premium on 2012 Series Revenue Bonds	-	357
Revenue and Refunding Bonds, 2016 Series	52,790	54,445
Premium on 2016 Series Revenue and Refunding Bonds	1,886	1,988
Revenue Bonds, 2019 Series	19,485	19,485
Net premium on 2019 Series Revenue Bonds	830	894
Revenue and Refunding Bonds, 2022 Series	18,540	-
Net premium on 2022 Series Revenue Bonds	2,748	-
	96,279	94,394
Less deferred debt acquisition costs, net	(774)	(742)
	$ 95,505	$ 93,652

2012 Series Revenue Bonds

In February 2012, the University entered into a loan and security agreement with the Washington Higher Education Facilities Authority for the Authority to sell Series 2012 Revenue Bonds in the amount of $19,500 and loan the proceeds to the University.

The Series 2012 Revenue Bonds were refinanced during the year, as described in the 2022 Series Revenue and Refunding Bonds section below.

2016 Series Revenue and Refunding Bonds

In December 2016, the University entered into a loan and security agreement with the Washington Higher Education Facilities Authority for the Authority to sell Series 2016A Nontaxable Revenue and Refunding Bonds in the amount of $47,660 and Series 2016B Taxable Refunding Revenue Bonds in the amount of $12,875 and loan the proceeds to the University. The bonds were issued for the purpose of refinancing the outstanding balance of the Series 2009 bonds previously issued by the Authority and lent to the University in November 2009 and for the construction of a new athletics administration building and other facility improvements for the University. With respect to the Series 2009 bonds, proceeds from the 2016A and 2016B Series bonds were placed in an escrow account held to defease the Series 2009 bonds. In October 2019, the funds in the escrow account were used to defease the Series 2009 bonds in full.

Interest is payable on the Series 2016 bonds semi-annually on each October 1 and April 1 at rates ranging from 2.31 percent to 5.00 percent. Serial bonds are payable in amounts ranging from $1,595 to $3,435 on October 1, 2020 through October 1, 2036. Term bonds schedule to mature on October 1, 2040, which was the same term of the refunded 2009 Series bonds, are subject to mandatory sinking fund redemptions in the amounts of $3,610, $3,795, $3,990 and $4,195 on October 1, 2037, 2038, 2039 and 2040, respectively. The University was not required to establish a reserve fund for the 2016 Series bonds.

2019 Series Revenue Bonds

In December 2019, the University entered into a loan and security agreement with the Washington Higher Education Facilities Authority for the Authority to sell Series 2019 Revenue Bonds in the amount $19,485 and loan the proceeds to the University. The bonds were issued for the purpose of design, construction, installation and furnishing of a new health sciences building.

Interest is payable on the Series 2019 bonds semi-annually on each October 1 and April 1 at a fixed rate of 4.00 percent. Term bonds scheduled to mature on October 1, 2049, are subject to mandatory annual sinking fund redemptions in amounts ranging from $1,475 on October 1, 2041 to $3,365 on October 1, 2049. The University was not required to establish a reserve fund for the 2019 Series bonds.

(in thousands of dollars)

2022 Series Revenue and Refunding Bonds

In January 2022, the University entered into a loan and security agreement with the Washington Higher Education Facilities Authority for the Authority to sell Series 2022 Revenue and Refunding Bonds in the amount of $18,540 and loan the proceeds to the University. The bonds were issued for the purpose of refinancing the outstanding balance of the Series 2012 bonds previously issued by the Authority and lent to the University in February 2012 and for the remodel and expansion of the dining facilities, building a new campus recreation center, and other facility improvements for the University. With respect to the Series 2012 bonds, proceeds from the 2022 Series bonds were placed in an escrow account held to defease the Series 2012 bonds. In April 2022, the funds in the escrow account were used to defease the Series 2012 bonds in full.

Interest is payable on the Series 2022 bonds semi-annually on each October 1 and April 1 at 4.00 percent to 5.00 percent. Serial bonds are payable in amounts ranging from $415 to $4,410 on October 1, 2022 through October 1, 2046. Term bonds schedule to mature on October 1, 2046, which was the same term as the refunded 2012 Series bonds, and are subject to mandatory sinking fund redemptions in the amounts of $850, $920, $995 and $1,170 on October 1, 2038, 2040, 2042 and 2046, respectively. The University was not required to establish a reserve fund for the 2022 Series bonds.

The University has pledged its unrestricted revenues and property of the core campus located in Spokane, Washington (see Note 9) to the repayment of its obligations under the loan agreements. As a condition of the issuance of the bonds, the University has agreed to certain covenants for the protection of bond owners, including maintaining in each fiscal year income available for debt service at least equal to 1.00 times annual debt service for such fiscal year beginning after the date of issuance of the bonds and continuing through the fiscal year that is two fiscal years after the last of the new facilities is placed in service, and 1.25 times annual debt service in each other fiscal year.

Deposits held by trustee totaled $5,010 (Note 7) for the year ended June 30, 2022 and included escrow funds related to unspent bond proceeds for construction tied to the Series 2022 bonds. Deposits held by trustee totaled $8,471 for the year ended June 30, 2021 and included escrow funds related to unspent bond proceeds for construction of $7,260 tied to the Series 2019 bonds and a debt service reserve of $1,211 for the Series 2012 bonds.

The approximate principal and sinking fund payment requirements for all long-term debt for the five years subsequent to June 30, 2022 are:

	Principal
Years ending June 30,	
2023	$ 2,140
2024	2,240
2025	2,340
2026	2,450
2027	2,575

Certain costs related to the issuance of debt have been deferred and are being amortized over the term of the debt issue.

11. Split Interest Agreements

The University's investment portfolio contains split interest agreements held by the Foundation. Under a split interest agreement, a donor makes an initial gift to a trust or directly to the Foundation, in which the University has a beneficial interest but is not the sole beneficiary. The terms of some agreements do not allow donors to revoke their gifts. The time period covered by the agreement is expressed either as a specific number of years (or in perpetuity) or as the remaining life of an individual or individuals designated by the donor. The assets are invested and administered by the Foundation and distributions are made to a beneficiary or beneficiaries during the term of the agreement. At the end of the agreement's term, the remaining assets covered by the agreement are distributed to or retained by either the University or another beneficiary or beneficiaries.

Most of the Foundation's agreements consist of irrevocable charitable remainder trusts and charitable gift annuities. Donors may impose restrictions on the University's use of all or a portion of any assets received. The Foundation recognizes a liability for estimated distributions to beneficiaries under these annuity agreements. The Foundation used the applicable discount rates in effect at the time the agreements were received by the Foundation in calculating the present values.

The University maintains separate reserve funds adequate to meet future payments under its charitable gift annuity contracts as required by governing states' laws. The total amount held in separate reserve funds was $765 and $835, respectively, as of June 30, 2022 and 2021.

12. Employee Benefit Plans

The University provides a defined contribution plan for the benefit of substantially all faculty and administration personnel. All costs relating to this plan are being funded currently. The University and participant contribute a fixed percentage of the participant's salary to the plan. The University's contribution to this plan was approximately $2,567 and $1,327 in 2022 and 2021, respectively. During fiscal year 2021, there was a temporary 50% decrease to the employer contribution. Beginning January 1, 2023, the University has chosen to modify the percentage of fixed employer and participant contributions and add a matching component for additional deferrals elected by participants.

In addition to providing retirement benefits, the University pays a portion of the premiums for certain health care benefits provided to selected retired employees who reach retirement age while working for the University. Certain retired employees are required to contribute a portion of the cost of their medical insurance coverage. The University accrues for these benefits over the service lives of the employees rather than expense the cost of premiums as they are paid. The plan is unfunded, and the accrued postretirement benefit obligation is included in accrued payroll and related benefits on the statements of financial position.

The University measures postretirement plan obligations as of June 30.

The University is part of a Voluntary Employee Benefit Association (VEBA) in order to help fund the costs of healthcare for employees who have met certain eligibility requirements. The University contributed approximately $155 and $65 annually to the VEBA plan in 2022 and 2021, respectively.

(in thousands of dollars)

The following is a reconciliation of the benefit obligation, which is included in accrued payroll and related benefits on the statements of financial position, and the value of plan assets at June 30:

	2022	2021
Change in projected benefit obligation:		
Benefit obligation at July 1	$ 1,800	$ 2,008
Interest cost	38	52
Service cost	4	6
Actuarial gain	(105)	(200)
Estimated benefits paid	(71)	(66)
Projected benefit obligation at June 30	$ 1,666	$ 1,800
Change in plan assets:		
Fair value of plan assets at July 1	$ -	$ -
Employer contribution	67	35
Participant contribution	17	29
Actual benefits paid	(84)	(64)
Fair value of plan assets at June 30	$ -	$ -
Funded status:		
Underfunded status at June 30	$ (1,666)	$ (1,800)

	2022	2021
Amounts recognized in the statements of financial position consist of:		
Noncurrent assets	$ -	$ -
Current liabilities	76	77
Noncurrent liabilities	1,590	1,723
Net amount recognized	$ 1,666	$ 1,800
Amounts not recognized as components of net periodic benefit cost consist of:		
Unrecognized prior service cost	$ -	$ -
Unrecognized net gain	(1,695)	(1,754)
Unrecognized net transition obligation	-	-
Net amount not recognized	$ (1,695)	$ (1,754)
Net periodic post-retirement benefit expense for the year ended June 30 is comprised of the following:		
Service cost	$ 4	$ 6
Interest cost	38	52
Net amortization and deferral	(165)	(187)
Net periodic benefit cost	$ (123)	$ (129)

(in thousands of dollars)

The University expects to contribute approximately $45 to its postretirement plan in fiscal 2023. These payments have been estimated based on the same assumptions used to measure the University's benefit obligation. Benefit payments, which reflect expected future service, as appropriate, are expected to be paid as follows:

Years ending June 30:		
2023	$	78
2024		79
2025		80
2026		81
2027		81
2028 - 2032		377

The estimated interest cost, service cost, net loss and expected benefits paid for the year ended June 30, 2023, and the estimated benefit obligation at June 30, 2023 are as follows:

Change in projected benefit obligation:		
Benefit obligation at July 1, 2022	$	1,666
Interest cost		41
Service cost		4
Actuarial gain		-
Expected benefits paid		(76)
Projected benefit obligation at June 30, 2023	$	1,635

The above assumptions and calculations are based on information as of June 30, 2022 and 2021, the measurement dates for the Plan. The accrued benefit cost represents the full obligation for the retirees and the current service cost for eligible employees at June 30, 2021. A 9 percent rate of increase in the per capita costs of covered health care benefits was initially assumed, decreasing 0.5 percent per year to an ultimate level of 5 percent. A discount rate of 2.25 percent and 2.50 percent were used to determine the accumulated postretirement benefit obligation for 2022 and 2021, respectively.

Increasing the assumed health care cost trend rate by one percentage point would increase the accumulated post-retirement benefit obligation as of June 30, 2022, to $1,788 and the increase the aggregate of the service and interest cost components of net periodic post-retirement benefit costs for 2022 to approximately $105.

It is reasonably possible that changes in these estimates could occur in the near term and that actual results could differ from these estimates and could have a material impact on the consolidated financial statements.

(in thousands of dollars)

13. Credit Quality of Student Loans Receivable

The University issues uncollateralized loans to students based on financial need. Student loans are funded through Federal government loan programs or institutional resources. Student loans receivable are carried at the amount of unpaid principal less an estimate for doubtful accounts. Allowances for doubtful accounts are established based on prior collection experience and current economic factors which, in management's judgment, could influence the ability of loan recipients to repay the amounts per the loan terms. At June 30, 2022 and 2021, student loans receivable represented 0.48 percent and 0.57 percent of total assets.

The Extension Act amended section 461 of the Higher Education Act to end the University's authority to make new Perkins Loans after June 30, 2018. The University is not required to assign the outstanding Perkins Loans to the Department of Education or liquidate their Perkins Loan Revolving Funds due to the wind-down of the Perkins Loan Program. However, the University may choose to liquidate at any time in the future. As of June 30, 2022, the University continues to service the Perkins Loan Program.

At June 30, 2022 and 2021, student loans consisted of the following:

	2022	2021
Federal government programs	$ 1,224	$ 1,648
Institution program	923	955
	2,147	2,603
Less allowance for doubtful accounts:		
Beginning of year	(306)	(306)
Write-offs	-	-
End of year	(306)	(306)
Student loans receivable, net	$ 1,841	$ 2,297

Funds advanced by the Federal government of $1,233 and $1,753 at June 30, 2022 and 2021, respectively, are ultimately refundable to the government and are classified as liabilities in the statement of financial position.

After a student is no longer enrolled in an institution of higher education and after a grace period, interest is charged on student loans receivable and is recognized as it is charged. Student loans receivable through the loan programs are considered to be past due if a payment is not made within 30 days of the payment due date, at which time, late charges are charged and recognized. The Federal Perkins Loan Program receivables may be assigned to the U.S. Department of Education. Students may be granted a deferment, forbearance, or cancellation of their student loan receivable based on eligibility requirements defined by the U.S. Department of Education.

(in thousands of dollars)

A student loan receivable is considered to be delinquent if any portion of the receivable balance is outstanding for more than 60 days after the billing date. At June 30, 2022 and 2021, the following amounts were past due under student loan programs:

	Amounts Past Due			
	Less Than 240 Days	Less Than 2 Years	More Than 2 Years	Total
June 30:				
2022	$ 35	$ 45	$ 17	$ 97
2021	63	-	1	64

14. Endowments

The University's endowment consists of approximately 400 individual funds established for a variety of purposes. Its endowment includes both donor-restricted endowment funds and funds designated by the governing board to function as endowments. As required by GAAP, net assets associated with endowment funds, including funds designated by the governing board to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law

The University's governing board has interpreted the State of Washington enacted version of Uniform Prudent Management of Institutional Funds Act (UPMIFA) as allowing the University to appropriate for expenditure or accumulate so much of an endowment fund as the University determines is prudent for the uses, benefits, purposes and duration for which the endowment fund is established, subject to the intent of the donor as expressed in the gift instrument. Unless stated otherwise in the gift instrument, the assets in an endowment fund shall be donor-restricted assets until appropriated for expenditure by the Board of Trustees.

The remaining portion of the fund, which consists of earnings and gains/losses from the investment of such funds net of expenditures, is classified as net assets with donor restrictions until those amounts are appropriated for expenditure by the University in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the University considers the following factors in deciding to appropriate or accumulate donor-restricted endowment funds:

(1) The duration and preservation of the endowment fund

(2) The purposes of the University and the endowment fund

(3) General economic conditions

(4) The possible effect of inflation or deflation

(5) The expected total return from income and the appreciation of investments

(6) Other resources of the University

(7) The investment policy of the University

(in thousands of dollars)

The following table summarizes endowment net asset composition by type of fund as of June 30, 2022:

	Without Donor Restrictions	With Donor Restrictions: Accumulated Gains	With Donor Restrictions: Original Gifts	Total
Donor-restricted endowment funds	$ -	$ 61,960	$ 103,950	$ 165,910
Board-designated endowment funds	17,234	-	-	17,234
Total endowment net assets	$ 17,234	$ 61,960	$ 103,950	$ 183,144

The following table summarizes endowment net asset composition by type of fund as of June 30, 2021:

	Without Donor Restrictions	With Donor Restrictions: Accumulated Gains	With Donor Restrictions: Original Gifts	Total
Donor-restricted endowment funds	$ -	$ 79,263	$ 104,086	$ 183,349
Board-designated endowment funds	19,858	-	-	19,858
Total endowment net assets	$ 19,858	$ 79,263	$ 104,086	$ 203,207

Change in endowment net assets are as follows:

	Without Donor Restrictions	With Donor Restrictions: Accumulated Gains	With Donor Restrictions: Original Gifts	Total
Endowment net assets, June 30, 2021	$ 19,858	$ 79,263	$ 104,086	$ 203,207
Investment return:				
Investment income	318	2,434	-	2,752
Net depreciation	(1,612)	(12,527)	-	(14,139)
Total investment return	(1,294)	(10,093)	-	(11,387)
Change in value of assets held in trust by others	-	(164)	(1,793)	(1,957)
Contributions	-	-	1,175	1,175
Transfers and matured deferred gifts	48	47	482	577
Appropriation of endowment assets for expenditure	(1,378)	(7,093)	-	(8,471)
Endowment net assets, June 30, 2022	$ 17,234	$ 61,960	$ 103,950	$ 183,144

(in thousands of dollars)

	Without Donor Restrictions	With Donor Restrictions: Accumulated Gains	With Donor Restrictions: Original Gifts	Total
Endowment net assets, June 30, 2020	$ 16,228	$ 51,978	$ 97,040	$ 165,246
Investment return:				
Investment income	234	1,737	-	1,971
Net appreciation	3,948	29,342	-	33,290
Total investment return	4,182	31,079	-	35,261
Change in value of assets held in trust by others	-	278	3,475	3,753
Contributions	-	-	2,924	2,924
Transfers and matured deferred gifts	63	51	647	761
Appropriation of endowment assets for expenditure	(615)	(4,123)	-	(4,738)
Endowment net assets, June 30, 2021	$ 19,858	$ 79,263	$ 104,086	$ 203,207

Return Objectives and Risk Parameters

The University has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the University must hold in perpetuity or for a donor-specified period(s) as well as board-designated funds. Under this policy, as approved by the governing board, the endowment assets are invested in a manner that is intended to produce results that exceed the annual spending rate plus the rate of inflation as measured by the Consumer Price Index (CPI) for urban consumers while assuming a moderate level of investment risk. The University expects its endowment funds, over time, to provide an average annual rate of approximately 7 percent to 9 percent annually. Actual returns in any year may vary from this amount.

Strategies Employed for Achieving Objectives

To satisfy 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) and current yield (interest and dividends). The University targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

Spending Policy and How the Investment Objectives Relate to Spending Policy

The University has a policy of appropriating for distribution each year approximately 4.5 percent of its endowment fund's average fair value over the prior three years through the fiscal year-end preceding the fiscal year in which the distribution is planned. For the year ended June 30, 2022, the Board of Trustees approved an additional appropriation for the establishment of doctoral programs for Health Sciences. The incremental allocation included $714 from the board-designated endowment funds and $2,854 from the donor-restricted budget-supported endowment funds (which did not include any individual funds that contain more specific donor-allowed uses), resulting in a total appropriation of approximately 5.5 percent for the year. The University's spending policy follows a model that includes the Higher Education Price Index (HEPI) which requires annual adjustments based on changes in the costs of education. Actual spending in any given year may vary from the calculated appropriation based on factors such as market conditions, student eligibility, as well as spending policies of other organizations controlling outside trusts. In establishing this policy, the University considered the long-term expected return on its endowment. Accordingly, over the long term, the University expects the current spending policy to allow its endowment to grow at an average of 4 percent to 5 percent annually. This is consistent with the University's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term as well as to provide additional real growth through new gifts and investment return.

15. Concentrations

Financial instruments that potentially subject the University to concentrations of credit risk consist principally of cash and cash equivalents, receivables and investments. Cash and cash equivalents in excess of federally insured limits are subject to the usual risks of balances in excess of those limits. The majority of the University's cash and cash equivalents are on deposit with a single bank. Investments are diversified in order to limit credit risk. Student notes and receivables are due from a variety of sources concentrated primarily in the northwestern United States. The University had significant outstanding pledges from one donor totaling approximately 43 percent and 65 percent of contributions receivable, as of June 30 2022 and 2021, respectively. As of June 30, 2022 and 2021, the University had an investment of $44,558 and $51,715 respectively, which was concentrated in one fund.

In addition, the University's students receive a substantial amount of support from state and federal student financial assistance programs which are subject to audit by governmental agencies. A significant reduction in the level of this support, if this were to occur, could have an adverse effect on the University's programs and activities.

16. Related Party Transactions

The University has been conducting business transactions with Avista Utilities for many years; in April 2011, an officer of Avista Utilities was selected as a member of the University Board of Trustees. The University paid approximately $1,416 and $1,249 to Avista Utilities for electricity and natural gas during the years ended June 30 2022 and 2021, respectively.

17. Expenses by Natural and Functional Classification

The University's primary service is academic instruction. Expenses included within student services and auxiliaries are incurred in support of the primary service activities. Natural expenses that relate to more than one functional expense category, such as interest and depreciation, are allocated based on factors such as square footage.

(in thousands of dollars)

Expenses by natural and functional classification for the year ended June 30, 2022 were as follows:

	Academic Instruction, Research and Support	Student Services and Auxiliaries	Administration	Total
Salaries and wages	$ 24,168	$ 9,333	$ 5,608	$ 39,109
Benefits	6,390	2,343	1,946	10,679
Travel, professional development and cultivation	557	1,273	1,084	2,914
Materials and supplies	1,146	329	77	1,552
Maintenance of facilities and equipment	2,289	1,983	1,686	5,958
Utilities, insurance and taxes	2,277	1,834	795	4,906
General services, postage, print shop, board bill	2,839	7,954	1,646	12,439
Student emergency grants	-	3,795	-	3,795
Interest	1,627	1,805	224	3,656
Depreciation, amortization and accretion	2,367	2,627	326	5,320
Other expenses	98	67	27	192
Total expenses	$ 43,758	$ 33,343	$ 13,419	$ 90,520

Expenses by natural and functional classification for the year ended June 30, 2021 were as follows:

	Academic Instruction, Research and Support	Student Services and Auxiliaries	Administration	Total
Salaries and wages	$ 22,324	$ 9,157	$ 5,628	$ 37,109
Benefits	5,334	2,123	2,174	9,631
Travel, professional development and cultivation	102	462	56	620
Materials and supplies	1,037	359	67	1,463
Maintenance of facilities and equipment	1,513	2,192	1,522	5,227
Utilities, insurance and taxes	1,934	1,614	717	4,265
General services, postage, print shop, board bill	2,151	6,681	1,125	9,957
Student emergency grants	-	2,129	-	2,129
Interest	1,622	1,799	223	3,644
Depreciation, amortization and accretion	2,635	2,913	365	5,913
Other expenses	38	48	(48)	38
Total expenses	$ 38,690	$ 29,477	$ 11,829	$ 79,996

(in thousands of dollars)

18. Consolidating Information

The consolidating information as of June 30, 2022 is presented below:

	Whitworth University	Whitworth Costa Rica Limited	Foundation	Total
Assets:				
Cash and cash equivalents	$ 3,941	$ 28	$ 74	$ 4,043
Student accounts receivable, net	1,116	-	-	1,116
Contributions receivable, net	8,426	-	-	8,426
Other receivables	2,797	-	-	2,797
Other assets	2,084	1,000	-	3,084
Student loans receivable, net	1,841	-	-	1,841
Short term investments	32,086	-	-	32,086
Long term investments	147,278	-	15,799	163,077
Deposits held by trustee	5,010	-	-	5,010
Land, buildings and equipment, net	134,052	-	-	134,052
Assets held in trust by others	29,515	-	-	29,515
Total assets	$ 368,146	$ 1,028	$ 15,873	$ 385,047
Liabilities and Net Assets:				
Accounts payable and other liabilities	$ 2,663	$ -	$ -	$ 2,663
Accrued payroll and related benefits	5,801	-	-	5,801
Student deposits	1,877	-	-	1,877
Deferred revenue	747	-	-	747
Service concession arrangement obligations	3,623	-	-	3,623
Asset retirement obligations	1,245	-	-	1,245
Accrued interest payable	1,055	-	-	1,055
Long-term debt	95,505	-	-	95,505
Annuities payable	-	-	6,714	6,714
Federal student loan funds	1,233	-	-	1,233
Total liabilities	113,749	-	6,714	120,463
Net Assets:				
Without donor restrictions	75,684	1,028	2,914	79,626
With donor restrictions	178,713	-	6,245	184,958
Total net assets	254,397	1,028	9,159	264,584
Total liabilities and net assets	$ 368,146	$ 1,028	$ 15,873	$ 385,047

(in thousands of dollars)

19. Department of Education Financial Responsibility Information

The Department of Education (ED) revised the regulations for financial responsibility which are required to be implemented for reports issued after July 1, 2020. The regulations require the University to provide additional disclosures, including a financial responsibility supplemental schedule, to assist ED in measuring financial responsibility through the composite score of financial ratios. The financial responsibility supplemental schedule must contain all financial elements required to calculate the composite score ratios, with a cross-reference to the financial statement line or note that contains the element.

Note 9 provides information on the University's land, buildings, and equipment, net, but does not provide a breakout by the implementation date of July 1, 2019. The following table provides a breakdown of land, buildings, and equipment, net, at June 30, 2022 based on the July 1, 2019 implementation date.

Pre-implementation:	
Land, buildings, and equipment, net at June 30, 2021	$ 91,091
Less depreciation	(4,826)
Less disposals	(23)
Total pre-implementation land, buildings and equipment, net at June 30, 2022	86,242
Post-implementation with debt:	
Land, buildings, and equipment, net, with outstanding debt for original purchase at June 30, 2021	703
Plus additions	20,677
Less depreciation	(89)
Total post-implementation land, buildings and equipment, net, with debt at June 30, 2022	21,291
Post-implementation without debt:	
Land, buildings, and equipment, net, without debt for original purchase at June 30, 2021	22,420
Plus additions	3,873
Less depreciation	(708)
Total post-implementation land, buildings and equipment, net, without debt at June 30, 2022	25,585
Construction in progress	934
Total land, buildings and equipment, net, at June 30, 2022	$ 134,052

(in thousands of dollars)

Note 10 provides information on the University's long-term debt, but does not provide a breakout by the implementation date of July 1, 2019. The following table provides a breakdown of long-term debt for long-term purposes, at June 30, 2022 based on the July 1, 2019 implementation date.

Pre-implementation:	
Long-term debt for long-term purposes, July 1, 2021	$ 73,707
Less current year repayments and amortization	(2,227)
Long-term debt, pre-implementation at June 30, 2022	71,480
Post-implementation with debt:	
Debt issued in fiscal 2021 and 2022 for capital projects spanning fiscal years 2021 through 2023 (includes $5,010 in unspent debt proceeds that remains in escrow at June 30, 2022)	24,025
Long-term debt, post-implementation at June 30, 2022	24,025
Total long-term debt at June 30, 2022	$ 95,505

Notes 3 and 14 provide information on the University's breakdown of net assets with either time or purpose restrictions. The following table provides a breakdown of those net assets with donor restrictions at June 30, 2022.

Scholarships, instruction and department support (Note 3)	$ 9,822
Gifts restricted for capital acquisition (Note 3)	1,836
Student loan funds (Note 3)	1,145
Accumulated gains – endowment funds (Note 14)	61,960
Net assets with donor restrictions – time or purpose	$ 74,763

20. Subsequent Events

The University has evaluated subsequent events through November 17, 2022, which is the date that the financial statements were issued.