



LOYOLA UNIVERSITY MARYLAND, INC.

Financial Statements

May 31, 2023 and 2022

(With Independent Auditors' Report Thereon)

LOYOLA UNIVERSITY MARYLAND, INC.

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KPMG LLP
750 East Pratt Street, 18th Floor
Baltimore, MD 21202

Independent Auditors' Report

The Board of Trustees
Loyola University Maryland, Inc.:

Opinion

We have audited the financial statements of Loyola University Maryland, Inc. (the University), which comprise the balance sheets as of May 31, 2023 and May 31, 2022, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

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

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 Financial Statements section of our report. We are required to be independent of the University and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS, we:

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



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

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

KPMG LLP

Baltimore, Maryland
October 18, 2023

LOYOLA UNIVERSITY MARYLAND, INC.

Balance Sheets

May 31, 2023 and 2022

(Dollars in thousands)

Assets	2023	2022
Cash and cash equivalents	\$ 16,862	21,584
Student tuition receivables (net of allowance for doubtful accounts of \$995 in 2023 and \$595 in 2022)	4,642	3,777
Contributions receivable, net	6,246	5,182
Prepaid expenses and other assets	8,545	2,830
Investments	351,580	365,120
Student loan receivables, net	707	1,161
Land, buildings, and equipment, net	331,270	333,717
Operating lease right-of-use assets	5,924	1,497
Interest in perpetual trust	15,442	16,245
Total assets	\$ 741,218	751,113
Liabilities and Net Assets		
Liabilities:		
Accounts payable and accrued liabilities	\$ 16,807	16,965
Deferred tuition	6,319	5,553
Bonds payable, net	138,781	143,456
Operating lease liabilities	5,997	1,342
Other liabilities	3,685	3,552
U.S. government grants refundable	1,182	1,538
Total liabilities	172,771	172,406
Net assets:		
Without donor restrictions	381,376	389,333
With donor restrictions	187,071	189,374
Total net assets	568,447	578,707
Total liabilities and net assets	\$ 741,218	751,113

See accompanying notes to financial statements.

LOYOLA UNIVERSITY MARYLAND, INC.

Statements of Activities

Year ended May 31, 2023
(with comparative totals for 2022)

(Dollars in thousands)

	Without donor restrictions	With donor restrictions	Totals	
			2023	2022
Operating revenues:				
Tuition and fees (net of tuition discounts of \$134,109 in 2023 and \$111,380 in 2022)	\$ 97,457	—	97,457	104,891
Auxiliary services	58,570	—	58,570	49,956
Contributions	3,299	789	4,088	3,995
Government grants and contracts	20,829	—	20,829	21,437
Other sources	2,701	—	2,701	2,275
Investment income	1,287	—	1,287	(1,972)
Endowment income designated for current operations	7,115	5,639	12,754	11,423
Net assets released from restrictions	6,093	(6,093)	—	—
Total revenues	<u>197,351</u>	<u>335</u>	<u>197,686</u>	<u>192,005</u>
Operating expenses:				
Instruction and research	62,799	—	62,799	58,926
Student services and public service	39,454	—	39,454	39,647
Academic support and library	17,290	—	17,290	17,489
Institutional support and fundraising	37,848	—	37,848	38,782
Auxiliary enterprises	42,323	—	42,323	37,817
Total expenses	<u>199,714</u>	<u>—</u>	<u>199,714</u>	<u>192,661</u>
Change in net assets from operating activities	<u>(2,363)</u>	<u>335</u>	<u>(2,028)</u>	<u>(656)</u>
Nonoperating activities:				
Contributions	258	5,243	5,501	7,292
Investment return, net of endowment spending	(6,500)	(6,437)	(12,937)	(14,972)
Change in value of split interest agreements	24	(813)	(789)	(754)
Change in fair value of cash surrender values	(22)	15	(7)	(73)
Net assets released from restrictions	646	(646)	—	—
Change in net assets from nonoperating activities	<u>(5,594)</u>	<u>(2,638)</u>	<u>(8,232)</u>	<u>(8,507)</u>
Change in net assets	<u>(7,957)</u>	<u>(2,303)</u>	<u>(10,260)</u>	<u>(9,163)</u>
Net assets at beginning of year	<u>389,333</u>	<u>189,374</u>	<u>578,707</u>	<u>587,870</u>
Net assets at end of year	<u>\$ 381,376</u>	<u>187,071</u>	<u>568,447</u>	<u>578,707</u>

See accompanying notes to financial statements.

LOYOLA UNIVERSITY MARYLAND, INC.

Statement of Activities

Year ended May 31, 2022

(Dollars in thousands)

	Without donor restrictions	With donor restrictions	Total
Operating revenues:			
Tuition and fees (net of tuition discounts of \$111,380 in 2022)	\$ 104,891	—	104,891
Auxiliary services	49,956	—	49,956
Contributions	3,452	543	3,995
Government grants and contracts	21,102	335	21,437
Other sources	2,275	—	2,275
Investment income	(1,972)	—	(1,972)
Endowment income designated for current operations	6,519	4,904	11,423
Net assets released from restrictions	4,972	(4,972)	—
Total revenues	191,195	810	192,005
Operating expenses:			
Instruction and research	58,926	—	58,926
Student services and public service	39,647	—	39,647
Academic support and library	17,489	—	17,489
Institutional support and fundraising	38,782	—	38,782
Auxiliary enterprises	37,817	—	37,817
Total expenses	192,661	—	192,661
Change in net assets from operating activities	(1,466)	810	(656)
Nonoperating activities:			
Contributions	250	7,042	7,292
Investment return, net of endowment spending	(7,424)	(7,548)	(14,972)
Change in value of split interest agreements	(32)	(722)	(754)
Change in fair value of cash surrender values	(53)	(20)	(73)
Net assets released from restrictions	9,314	(9,314)	—
Change in net assets from nonoperating activities	2,055	(10,562)	(8,507)
Change in net assets	589	(9,752)	(9,163)
Net assets at beginning of year	388,744	199,126	587,870
Net assets at end of year	\$ 389,333	189,374	578,707

See accompanying notes to financial statements.

LOYOLA UNIVERSITY MARYLAND, INC.

Statements of Cash Flows

Years ended May 31, 2023 and 2022

(Dollars in thousands)

	2023	2022
Cash flows from operating activities:		
Change in net assets	\$ (10,260)	(9,163)
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:		
Depreciation and amortization	12,095	11,754
Loss on disposal of assets	—	5
Contributions restricted for long-term investment	(4,911)	(7,948)
Net realized and unrealized gains on investments	3,496	7,898
Change in assets and liabilities:		
Student tuition receivables, net	(865)	1,233
Contributions receivable, net	(1,064)	733
Prepaid expenses and other assets	(5,712)	88
Operating lease right-of-use assets, net of operating lease liabilities	228	277
Interest in perpetual trust	803	687
Accounts payable and accrued liabilities	(158)	(3,025)
Deferred tuition	766	(316)
Other liabilities	133	153
U.S. government grants refundable	(265)	(328)
Net cash (used in) provided by operating activities	(5,714)	2,048
Cash flows from investing activities:		
Purchases of land, buildings, and equipment	(10,039)	(15,258)
Sales of investments	42,237	58,500
Purchases of investments	(32,334)	(61,240)
Issuance of student loans	(1)	(1)
Proceeds from payments on student loans receivable	362	493
Net cash provided by (used in) investing activities	225	(17,506)
Cash flows from financing activities:		
Proceeds from contributions restricted for long-term investment	4,911	7,948
Payments on bonds payable	(4,285)	(3,855)
Proceeds from annuities	141	31
Net cash provided by financing activities	767	4,124
Net decrease	(4,722)	(11,334)
Cash and cash equivalents at beginning of year	21,584	32,918
Cash and cash equivalents at end of year	\$ 16,862	21,584
Supplemental cash flow information:		
Cash paid during the year for interest	\$ 5,604	5,787

See accompanying notes to financial statements.

LOYOLA UNIVERSITY MARYLAND, INC.

Notes to Financial Statements

May 31, 2023 and 2022

(Dollars in thousands)

(1) Nature of Operations and Summary of Significant Accounting Policies

(a) Nature of Operations

Loyola University Maryland, Inc. (the University or Loyola) is a private, nonprofit higher education institution located in Baltimore, Maryland. The University provides education and training services to approximately 4,000 undergraduate and 1,300 graduate students. The students are from approximately 42 states and 42 countries; and approximately 80% of undergraduate students lived on campus.

(b) Basis of Presentation

The financial statements of the University have been prepared on the accrual basis of accounting. The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and judgments that affect the reported amounts of assets and liabilities and disclosures of contingencies at the date of the financial statements and revenues and expenses recognized during the reporting period. Actual results could differ from those estimates.

The net assets of the University are classified into two classes based on the existence of donor-imposed restriction, as follows:

Net Assets Without Donor Restrictions – Net assets not subject to donor-imposed stipulations.

Net Assets With Donor Restrictions – Net assets subject to donor restrictions that expire through the passage of time or can be fulfilled or removed by actions pursuant to those restrictions.

Revenues are reported as increases in net assets without donor restrictions unless their use is limited due to donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions. Gains and losses on investments are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by donor stipulations or by law. Expirations of restrictions recognized on net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as releases from net assets with donor restrictions to net assets without donor restrictions. Temporary restrictions on gifts to acquire long-lived assets are considered met in the period in which the assets are placed into service.

Assets and liabilities are presented in the order of liquidity on the balance sheets except that investments may include short-term securities that are available for operations.

(c) Cash and Cash Equivalents

The University considers all highly liquid investments with maturities of three months or less to be cash equivalents, except those held in the investment portfolio. Money market funds held within the investment portfolio are for long term purposes and not considered cash equivalents for the purposes of the statements of cash flows.

(d) Investments

Investments are stated at their estimated fair values, which are generally determined based on quoted or published market prices. The carrying value of certain alternative equity and fixed income investments held through limited partnerships and hedge funds are recorded at net asset value

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May 31, 2023 and 2022

(Dollars in thousands)

(NAV) as provided by the fund managers or the general partners as a practical expedient to fair value, unless the University plans to sell an investment in the near term at a value other than NAV. These estimated values, which are evaluated for reasonableness by the University, may differ from the values that would have been used had a ready market existed and the differences could be significant. As of May 31, 2023 and 2022, the University had no plans or intentions to sell such investments.

Dividend income is recognized on the ex-dividend date. Noncash dividends are recorded at the fair value of the securities received. Interest income and expenses are recorded net of management fees, as incurred.

(e) Student Loan Receivables

Student loan receivables consist of loans to students, which are made from the University's loan funds and the Federal Perkins Loan Program. The loans are reported at their estimated net realizable value. The allowance for uncollectible loans was \$411 as of May 31, 2023 and 2022.

(f) Land, Buildings, and Equipment

Land, buildings, and equipment are stated at cost, if purchased, or at estimated fair value at date of gift, if donated. Generally, the costs of maintenance and repairs are charged to expense when incurred, while major acquisitions, additions, renewals, and betterments are capitalized. Depreciation of buildings and equipment is computed using the straight-line method over the estimated useful lives of the related assets.

(g) Valuation of Long-Lived Assets

Certain buildings and land improvements held and used are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. None of the University's long-lived assets were considered to be impaired as of May 31, 2023 and 2022.

(h) Interest in Perpetual Trust and Split Interest Agreements

Interest in perpetual trust represents resources neither in the possession nor under the control of the University, but held and administered by an outside fiscal agent, with the University deriving income from such funds as beneficiary. The amount recorded on the balance sheets represents 21% of the estimated fair value of the portfolio of underlying assets of the trust, which is the University's proportionate interest, and approximates the estimated cash flows of the trust.

The University's split-interest agreements are primarily annuity arrangements. Beneficiaries designated by the donor receive distributions from the University over their lives in accordance with the respective agreements. Liabilities under the split-interest agreements represent the present value of the estimated future distributions to beneficiaries over the terms of the agreements. Gains and losses associated with changes in the estimates of future distributions to beneficiaries are included in the statements of activities.

The University has \$281 and \$332 of future annuity payments included in other liabilities as of May 31, 2023 and 2022, respectively. In accordance with Maryland State law, the University has \$427

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May 31, 2023 and 2022

(Dollars in thousands)

and \$578 of assets separately reserved for the annuity payments as of May 31, 2023 and 2022, respectively, which are included in investments on the balance sheets.

(i) U.S. Government Grants Refundable

Funds provided by the United States (U.S.) government under the Federal Perkins Loan Program are loaned to qualified students. Such funds are ultimately refundable to the U.S. government.

(j) Revenue Recognition – Contracts with Customers and Accounts Receivable

Revenue from student education, and residence and dining services (auxiliary services) is reflected net of reductions from student aid (tuition discounts) and is recognized as the services are provided over the academic year, which generally aligns with the University's fiscal year. Aid in excess of a student's tuition and fees, if any, is reflected as a reduction of auxiliary services revenues. Disbursements made directly to students for living or other costs are reported as an expense. Payments for student services are generally received prior to the commencement of each academic term and are reported as deferred tuition to the extent services will be rendered in the following fiscal year. Student aid does not include payments made to students for services rendered to the University.

The composition of student tuition and fees revenue was as follows for the years ended May 31, 2023 and 2022:

	2023	2022
Undergraduate	\$ 209,181	193,291
Graduate and other	22,385	22,980
Tuition discounts	(134,109)	(111,380)
	\$ 97,457	104,891

Auxiliary services revenue consisted of the following for the years ended May 31, 2023 and 2022:

	2023	2022
Residence and dining services, net of student aid	\$ 55,760	47,730
Athletics	1,628	1,464
Other	1,182	762
	\$ 58,570	49,956

Other sources revenue includes revenues from parking, student events, and other miscellaneous activities. Such revenues are recognized when goods or services are provided to students, faculty, employees, and visitors.

All consideration from contracts with customers is included in the transaction price. A student may be eligible for a refund upon withdrawal based on the last date of attendance. The period for refunds for

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(Dollars in thousands)

academic programs does not span fiscal periods, as such, refunds are recorded against revenue when they are made.

Student tuition receivables are invoiced based upon contractual terms with students. The University maintains allowances for doubtful accounts to reflect management's best estimate of probable losses inherent in receivable balances. Management determines the allowances for doubtful accounts based on known troubled accounts, historical experience, and other currently available evidence.

(k) Revenue Recognition – Contributions, Including Government Grants and Contracts

Contributions, including unconditional promises to give, are recognized as revenues based upon any donor-imposed restrictions, on the date of the donors' commitment or gift. Conditional promises to give are not recognized until the conditions on which they depend are substantially met. Contributions of assets other than cash are recorded at their estimated fair value at the date of the gift. Contributions to be received after one year are discounted using an appropriate rate for the expected period of collection. Amortization of the discount is recorded as additional contribution revenue. An allowance is made for estimated uncollectible contributions based on management's judgment and analysis of the creditworthiness of the donors, past collection experience, and other relevant factors.

State grant revenue is provided by the State of Maryland to support the general operations of the University. Funds are to be used in accordance with applicable law and revenue is recognized ratably over the fiscal year as qualifying expenses are incurred.

The University conducts sponsored program activity with various sponsors, including agencies and departments of the federal government, local government entities, and foundations. Such grants and contracts revenue are recognized as the related qualifying expenses are incurred.

(l) Income Tax Status

The University is qualified as a not-for-profit organization under Section 501(c)(3) of the Internal Revenue Code, as amended. Accordingly, the University is not subject to income taxes except to the extent it has taxable income from activities that are not related to its exempt purpose. No provision for income taxes was required for fiscal years 2023 or 2022.

Management has analyzed the tax positions taken by the University, and has concluded that as of May 31, 2023 and 2022, there are no uncertain positions taken or expected to be taken that would require recognition of a liability (or asset) or disclosure in the financial statements. The University is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress.

(m) Nonoperating Activities

Nonoperating activities reflect transactions of a long-term investment or capital nature, including contributions restricted for acquisitions of facilities and equipment; endowment contributions; endowment return in excess of, or less than, the University's spending policy; changes in the value of split-interest agreements, including perpetual trusts held by others; and, transactions of an infrequent nature.

LOYOLA UNIVERSITY MARYLAND, INC.

Notes to Financial Statements

May 31, 2023 and 2022

(Dollars in thousands)

(n) Concentration of Credit Risk

Financial instruments, which potentially subject the University to concentrations of credit risk, consist primarily of cash and cash equivalents, investments, and pledges receivable. The University has several bank accounts as of May 31, 2023 and 2022 containing balances which exceed FDIC limits. Investments are held at creditworthy financial institutions. By policy, these investments are kept within authorized limits designed to prevent risks caused by concentration. Credit risk with respect to pledges receivable is generally limited; however, the University receives support from a large number of donors and has maintained long-term relationships with these donors. Approximately 74% and 65% of net pledges receivable were from two donors and one donor at May 31, 2023 and 2022, respectively.

(o) Leases

The University conducts certain operations in third-party facilities and determines if an arrangement contains a lease at the inception of a contract. Identified leases are measured, classified, and recognized at lease commencement.

Right-of-use assets represents the University's right to use an underlying asset for the lease term, if the term is greater than 12 months, and lease liabilities represent the University's obligation to make lease payments arising from the lease. Operating right-of-use assets and related lease liabilities are recognized at lease commencement based on the present value of lease payments over the lease term discounted using an appropriate incremental borrowing rate. The University has elected to use a risk-free rate over a term similar to that of the lease. Options to extend leases are reflected to the extent it is reasonably certain management will exercise the option.

Lease expense is recognized on a straight-line basis over the lease term. The University recognizes short-term lease payments as an expense on a straight-line basis over the lease term. Certain leases require payment for taxes, insurance, and maintenance. These variable lease payments are not included in the right-of-use assets or liabilities.

(p) Current Environment

The outbreak of COVID-19, a respiratory disease caused by a new strain of coronavirus, was declared a pandemic by the World Health Organization in March 2020. To protect the health of its students, faculty and staff, the University also implemented a series of public health and safety measures, including the suspension of an on-campus in-person experience for the fall 2020. The University resumed reduced in-person learning in the fall of 2021, as well as the spring of 2021 and 2022.

The Coronavirus Aid, Relief, and Economics Security (CARES) Act, Coronavirus Response and Relief Supplemental Appropriations Act (CRRSAA), and American Rescue Plan (ARP) provided budgetary relief to higher education institutions through the Higher Education Emergency Relief Fund (HEERF). Under the legislation, a portion of the grants are to be used for direct emergency aid to students. The remaining portion of the full grants are to be used by institutions to defray expenses associated with coronavirus (including lost revenue, reimbursement for expenses already incurred, technology costs associated with a transition to distance education, faculty and staff trainings, and payroll) and make additional emergency financial grants to students. Loyola recognized government grants revenue of

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Notes to Financial Statements

May 31, 2023 and 2022

(Dollars in thousands)

\$6,789 for the year ended May 31, 2022, as the qualifying expenditures were incurred the qualifying expenditures were incurred related to HEERF.

The University applied for federal relief from the Federal Emergency Management Agency (FEMA) in December 2022 to cover eligible COVID-19 expenditures that were incurred from March 2020 through May 2022. In May 2023, FEMA obligated \$3,385 in relief funding to the University which is recorded as a receivable in Prepaids and other assets as of May 31, 2023, and is included in Government grants and contracts revenue.

(2) Contributions Receivable

Contributions receivable, net, are summarized as follows as of May 31, 2023 and 2022:

	2023	2022
Due within one year	\$ 4,894	2,972
One to five years	2,016	2,910
More than five years	—	—
	6,910	5,882
Less:		
Discount (interest rates ranging from 1.2% to 4.7%)	(121)	(187)
Allowance for doubtful accounts	(543)	(513)
	\$ 6,246	5,182

As of May 31, 2023, the University had bequest intentions and conditional promises to give aggregating \$36,746, which have not been recognized as assets or revenues. If received, these gifts will generally be restricted for financial aid, general operations, buildings and equipment, instruction and research as stipulated by the donors.

(3) Fair Value Measurements

The fair value of the University's financial instruments is determined based on the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date assuming the transaction occurs in the University's principal (or most advantageous) market. Those fair value measurements maximize the use of observable inputs.

The three levels of the fair value hierarchy are as follows:

Level 1: Quoted or published prices in active markets for identical assets or liabilities.

Level 2: Observable inputs other than Level 1 prices 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 full term of the assets or

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May 31, 2023 and 2022

(Dollars in thousands)

liabilities. Inputs are obtained from various sources including market participants, dealers and brokers.

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

The following methods and assumptions were used to estimate the fair value of each class of financial instruments:

Investments: The fair value of fixed income securities, common stock and equity mutual and other funds are determined using quoted market prices at the reporting date multiplied by the quantity on hand. The carrying amount of money market funds approximates the fair value because of the short maturity of these investments.

Interest in perpetual trust: The fair value is determined as the University's percentage interest in the year-end fair value of the underlying investment securities of the trust, which approximates the estimated cash flows of the trust to the University.

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May 31, 2023 and 2022

(Dollars in thousands)

The following tables present assets and liabilities that are measured at fair value on a recurring basis as of May 31, 2023 and 2022. Certain investments that are measured at fair value using NAV as a practical expedient have not been categorized in the fair value hierarchy and are included to permit reconciliation to the balance sheets.

	2023				
	<u>NAV or equivalent</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Financial assets:					
Investments:					
Money market funds	\$ —	54,027	—	—	54,027
Fixed income bond	—	23,375	—	—	23,375
Equity funds:					
Domestic and International developed	33,080	85,229	—	—	118,309
Emerging markets	11,173	—	—	—	11,173
Total equity funds	44,253	85,229	—	—	129,482
Hedge funds:					
Multi-strategy, including long/short	41,649	—	—	—	41,649
Nonagency residential mortgage-backed securities	10,111	—	—	—	10,111
Total hedge funds	51,760	—	—	—	51,760
Private equity:					
Direct private debt and equity	59,404	—	—	555	59,959
Real estate	6,805	—	—	—	6,805
Venture capital fund of funds	25,462	—	—	—	25,462
Total private equity	91,671	—	—	555	92,226
Other	—	—	—	710	710
Total investments	187,684	162,631	—	1,265	351,580
Other financial assets:					
Interest in perpetual trust	—	—	—	15,442	15,442
Total financial assets	\$ 187,684	162,631	—	16,707	367,022

LOYOLA UNIVERSITY MARYLAND, INC.

Notes to Financial Statements

May 31, 2023 and 2022

(Dollars in thousands)

	2022				
	<u>NAV or equivalent</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Financial assets:					
Investments:					
Money market funds	\$ —	78,605	—	—	78,605
Fixed income bond	—	21,108	—	—	21,108
Equity funds:					
Domestic and International developed	29,129	79,583	—	—	108,712
Emerging markets	10,801	3,265	—	—	14,066
Total equity funds	<u>39,930</u>	<u>82,848</u>	<u>—</u>	<u>—</u>	<u>122,778</u>
Hedge funds:					
Multi-strategy, including long/short	42,399	—	—	—	42,399
Nonagency residential mortgage-backed securities	10,096	—	—	—	10,096
Total hedge funds	<u>52,495</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>52,495</u>
Private equity:					
Direct private debt and equity	49,418	—	—	844	50,262
Real estate	7,987	—	—	—	7,987
Venture capital fund of funds	31,168	—	—	—	31,168
Total private equity	<u>88,573</u>	<u>—</u>	<u>—</u>	<u>844</u>	<u>89,417</u>
Other	—	—	—	717	717
Total investments	<u>180,998</u>	<u>182,561</u>	<u>—</u>	<u>1,561</u>	<u>365,120</u>
Other financial assets:					
Interest in perpetual trust	—	—	—	16,245	16,245
Total financial assets	<u>\$ 180,998</u>	<u>182,561</u>	<u>—</u>	<u>17,806</u>	<u>381,365</u>

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The following table presents a reconciliation for all Level 3 assets measured at fair value on a recurring basis for the years ended May 31, 2023 and 2022:

	<u>Private equity</u>	<u>Real estate and other</u>	<u>Interest in perpetual trust</u>	<u>Total</u>
Ending balance, May 31, 2021	\$ 1,428	789	16,932	19,149
Net realized and unrealized gains (losses)	25	(72)	(687)	(734)
Sales and settlements	<u>(609)</u>	<u>—</u>	<u>—</u>	<u>(609)</u>
Ending balance, May 31, 2022	844	717	16,245	17,806
Net realized and unrealized gains (losses)	—	(7)	(803)	(810)
Sales and settlements	<u>(289)</u>	<u>—</u>	<u>—</u>	<u>(289)</u>
Ending balance, May 31, 2023	\$ <u>555</u>	<u>710</u>	<u>15,442</u>	<u>16,707</u>

There were no transfers between levels during fiscal years 2023 and 2022.

(4) Investments

Investments are professionally managed by outside investment organizations subject to direction and oversight by a committee of the Board of Trustees. The Board of Trustees has established investment policies and guidelines, which cover asset allocation and performance objectives and impose various restrictions and limitations on the managers. These restrictions and limitations are specific to each asset classification and cover concentrations of market risk (at both the individual issuer and industry group levels), credit quality of fixed income and short-term investments, and various other matters.

Investments are exposed to certain risks, such as interest rate, credit, and overall market volatility. Due to the level of risk associated with certain investment securities, changes in the value of investment securities could occur in the near term, and these changes could materially affect the amounts reported in the accompanying financial statements.

Investment return is summarized as follows for the years ended May 31, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
Income from interest and dividends	\$ 5,941	4,516
Net realized and unrealized gains (losses)	(3,496)	(7,898)
Investment fees	<u>(1,341)</u>	<u>(2,139)</u>
Total investment return	\$ <u>1,104</u>	<u>(5,521)</u>

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Investment return is included in the statements of activities as follows for the years ended May 31, 2023 and 2022:

	2023	2022
Operating	\$ 14,041	9,451
Nonoperating	(12,937)	(14,972)
Total investment return	\$ 1,104	(5,521)

The table below summarizes investments for which NAV as a practical expedient has been used to estimate fair value as of May 31, 2023 and 2022:

Investment	Fair value		Remaining average life	Unfunded commitments		Redemption frequency (if eligible)	Redemption notice period
	2023	2022		May 31, 2023	May 31, 2022		
Equity funds:							
International developed (a) \$	33,080	29,129	N/A	\$ —	—	Various	3-30 days
Emerging markets (b)	11,173	10,801	N/A	—	—	Monthly	6 days
Hedge funds:							
Multi-strategy (c)	23,930	25,132	N/A	—	—	Various	60-180 days
Nonagency residential mortgage-backed securities (d)	10,111	10,096	N/A	—	—	Quarterly	60 days
Long/short (e)	17,719	17,267	N/A	—	—	Various	30-105 days
Private equity diversified (f)	91,671	88,573	0-15 years	41,733	35,737	N/A	N/A
	\$ 187,684	180,998		\$ 41,733	35,737		

(a) Investments in international developed equity funds invest in diversified portfolios of mid and smaller capitalization equity securities and equity securities listed on major international exchanges. The frequency of redemptions varies from semi-monthly to monthly. The University requested a partial redemption of an investment for \$1.5M prior to May 31, 2023.

(b) Investments in equity and equity equivalent instruments outside the United States and specifically in emerging markets.

(c) Investments in a variety of multi-strategy funds invest in activities, such as: event-driven funds with an emphasis on merger arbitrage, distressed debt, and capital structure arbitrage; master limited

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partnerships that mostly pertain to the use of natural resources; and, a customizable commingled fund which operates as a collective investment trust that pools assets of various entities to create a larger, diversified portfolio of assets managed collectively in accordance with a common investment strategy. The frequency of redemption varies from daily to annually.

- (d) Investments in hedge funds that invest across the corporate capital structure and nonagency residential mortgage-backed securities. The investments include bank loans, high yield bonds, distressed securities, direct investments in private companies, domestic equities and convertible arbitrage.
- (e) Investments in hedge funds and other funds of funds invest in a variety of long and short funds where the underlying investments are primarily marketable securities. The frequency of redemption varies from monthly to multiyear lock-up, with a maximum of three years. The University requested a full redemption of an investment prior to May 31, 2023 of which \$6,053 was received in July 2023 and \$5,948 is expected in December 2023.
- (f) Investments in private equity funds that invest in diversified growth companies through various industries that mainly operate within the U.S., with the average remaining life of the funds varying from receiving redemptions as funds are available. Capital is distributed to investors as the funds' investments are liquidated over that time period.

(5) Land, Buildings, and Equipment

Land, buildings, and equipment, net, as of May 31, 2023 and 2022 consist of the following:

	<u>Useful lives</u>	<u>2023</u>	<u>2022</u>
Land and land improvements	0–10 years	\$ 28,787	28,126
Buildings	50 years	487,880	484,051
Equipment, furniture, software, and other	5–7 years	44,830	43,241
Investment in Loyola/Notre Dame Library	50 years	12,106	12,106
Construction in progress	n/a	4,741	1,042
		<u>578,344</u>	<u>568,566</u>
Less accumulated depreciation		<u>(247,074)</u>	<u>(234,849)</u>
		<u>\$ 331,270</u>	<u>333,717</u>

Depreciation expense was \$12,428 and \$12,095 for the years ended May 31, 2023 and 2022, respectively.

The Loyola/Notre Dame Library, Inc. (the Library), a separate legal corporation, was formed in February 1968 for the mutual benefit of the University and Notre Dame of Maryland University (Notre Dame). The Library building is situated on six acres of land between the two campuses. The land and the building, including improvements, were contributed in equal shares by Loyola and Notre Dame and are the property of the Library. The Library has its own Board of Trustees consisting of twelve members: three from the University, three from Notre Dame, and six other members. The University and Notre Dame are

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required to financially support the Library's annual operations through payments of joint and use costs. Joint costs are equally shared and use costs are based on each institution's proportionate share of adjusted semester hours. The University incurred approximately \$3,195 and \$3,761 in joint and use costs for the Library during the years ended May 31, 2023 and 2022, respectively.

(6) Bonds Payable and Other Debt Matters

(a) Bonds Payable

Bonds payable, net as of May 31, 2023 and 2022 consist of the following:

	2023	2022
Maryland Health and Higher Education Facility Authority (MHHEFA) revenue bonds:		
Series 2012A:		
3.00% serial due October 2024, principal beginning October 2012	\$ 890	1,755
Series 2014:		
3.25–5.00% serial due October 2034, principal beginning October 2027	13,065	13,065
4.00–5.00% term due October 2045, principal beginning October 2035	47,300	47,300
	60,365	60,365
Series 2019A:		
5.00% serial due October 2026, principal beginning October 2020	13,945	17,095
5.00% term due October 2049, principal beginning October 2045	20,630	20,630
	34,575	37,725
Series 2019B:		
2.31–3.35% serial due October 2034, principal beginning October 2022	19,985	20,255
3.65% term due October 2039, principal beginning October 2035	14,520	14,520
	34,505	34,775
Unamortized bond premium	9,456	9,894
Unamortized debt issuance costs	(1,010)	(1,058)
	\$ 138,781	143,456

Certain of the proceeds of the series 2019 bonds were used to fund an escrow account that was irrevocably placed with a trustee to meet the principal and interest payments of the Series 2012A

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bonds until their redemption. Therefore, neither the escrow account nor the refunded bonds are included on the balance sheets as of May 31, 2023 and 2022. The portion of the Series 2012A bonds that were legally defeased and the entire Series 2012B bonds that were redeemed are no longer obligations of the University. The remaining series 2012A and the serial 2014, 2019A and 2019B outstanding bonds are subject to redemption prior to maturity at the principal amount thereof plus accrued interest to the redemption date. The University is required to make sinking fund payments on October 1 of each year.

The covenants on the Series 2012A, 2014, 2019A and 2019B bonds restrict the sale of assets and include other requirements as defined in the agreement. The University was in compliance with its covenants as of May 31, 2023 and 2022.

Interest expense and net amortization of bond premium and debt issuance costs were \$5,272 and \$5,174 in 2023 and 2022, respectively. Interest expense was \$5,573 and \$5,485 in 2023 and 2022, respectively. Interest expense of \$258 was capitalized in fiscal year 2022.

(b) Line of Credit

The University entered into an agreement with a financial institution to provide a general use line of credit with a maximum available commitment totaling \$12,000 as of May 31, 2023 and 2022. This line of credit will be used, if necessary, for working capital and will remain open until December 20, 2023, unless extended. No portion of the line was utilized during fiscal years 2023 or 2022 and there were no outstanding amounts as of May 31, 2023 and 2022.

(c) Principal Repayment Schedule

Aggregate annual principal payments on the bonds (not including unamortized bond premium and debt issuance costs) over the next five fiscal years and thereafter are: \$4,440 in 2024, \$3,695 in 2025, \$3,845 in 2026, \$3,995 in 2027, \$3,530 in 2028, and \$110,830 thereafter.

(7) Interest in Perpetual Trust

In June 1996, the University received an interest in the Marion I. and Henry J. Knott Scholarship Fund, Inc., an irrevocable perpetual trust. Under the terms of the agreement, as amended, the University receives 21% of investment income earned on the trust into perpetuity. Underlying investment securities in the trust include cash and cash equivalents, fixed income mutual funds, equity securities, hedge funds and private equity funds. The University is to use the income distributed from the trust for scholarships for students in undergraduate studies.

The University received distributions from the scholarship trust of approximately \$509 and \$463 in 2023 and 2022, respectively. The change in value of the University's interest in the perpetual trust is recorded as a change in value of split interest agreements and was (\$803) and (\$687) in 2023 and 2022, respectively.

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(8) Net Assets

Net assets are comprised of the following as of May 31, 2023 and 2022:

	2023	2022
Without donor restrictions:		
Board designated endowments	\$ 140,772	147,278
Other funds	240,604	242,055
Total without donor restrictions	381,376	389,333
With donor restrictions:		
Donor restricted endowments:		
Financial aid	86,551	87,446
Instruction and research	66,366	66,994
General operations	94	99
Financial aid restricted	15,442	16,245
General operations	17,907	17,466
Buildings and equipment	173	372
Other, passage of time	538	752
Total with donor restrictions	187,071	189,374
Total	\$ 568,447	578,707

Releases from restriction were for financial aid and general operations of the University.

(9) Endowment

The University's endowment consists of approximately 340 individual funds established for a variety of purposes including both donor-restricted endowment funds and funds designated by the Board of Trustees to function as endowments. Net assets associated with endowment funds, including funds designated by the Board of Trustees to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions. The University does not include pledges receivable, its interest in the perpetual trust, and charitable gift annuities as part of its endowment.

(a) Interpretation of Relevant Law

The Board of Trustees has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring that donor-restricted endowment funds be managed with the long-term objective of at least maintaining the real value (after inflation) of the funds. The University classifies as donor restricted endowment net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the directions of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund includes the net endowment return on investments that have not been appropriated

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for expenditure by the Board of Trustees in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the University considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: duration and preservation of the fund, purposes of the endowment fund, general economic conditions, possible effect of inflation and deflation, expected total return from investments, other resources of the University, and investment policies.

Endowment net assets consist of the following as of May 31, 2023:

	Without donor restrictions	With donor restrictions	Total
Donor-restricted endowment funds:			
Original gifts	\$ —	106,428	106,428
Accumulated gains	—	46,583	46,583
Board-designated endowment funds	140,772	—	140,772
	\$ 140,772	153,011	293,783

Endowment net assets consist of the following as of May 31, 2022:

	Without donor restrictions	With donor restrictions	Total
Donor-restricted endowment funds:			
Original gifts	\$ —	101,518	101,518
Accumulated gains	—	53,021	53,021
Board-designated endowment funds	147,278	—	147,278
	\$ 147,278	154,539	301,817

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Changes in endowment net assets for the years ended May 31, 2023 and 2022 are as follows:

	<u>Without donor restriction</u>	<u>With donor restrictions</u>	<u>Total</u>
Endowment net assets, May 31, 2021	\$ 153,661	154,137	307,798
Investment return	(1,628)	(1,920)	(3,548)
Board designated quasi endowment	1,033	—	1,033
Contributions and transfers	6	7,951	7,957
Appropriation for expenditure	<u>(5,794)</u>	<u>(5,629)</u>	<u>(11,423)</u>
Endowment net assets, May 31, 2022	147,278	154,539	301,817
Investment return	(141)	(42)	(183)
Contributions and transfers	—	4,903	4,903
Appropriation for expenditure	<u>(6,365)</u>	<u>(6,389)</u>	<u>(12,754)</u>
Endowment net assets, May 31, 2023	<u>\$ 140,772</u>	<u>153,011</u>	<u>293,783</u>

(b) Funds with Deficiencies

From time to time, the fair value of assets associated with an individual donor-restricted endowment fund may fall below the original value of the fund. Deficiencies of this nature were \$0 and \$45 as of May 31, 2023 and 2022, respectively.

(c) 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. Under the investment policy, as approved by the Board of Trustees, the endowment assets are invested in a manner that is intended to produce results that exceed the price and yield results of a benchmark composed of S&P 500 and Barclays Capital Aggregate Bond indexes while assuming a moderate level of investment risk. The University expects its endowment funds, over three to five years, to provide an average annual real rate of return of at least 5%. Actual returns in any given year may vary from this amount.

(d) 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 emphasis on investments in equities, bonds, and absolute return strategies in a ratio to achieve its long-term return objectives within prudent risk constraints.

(e) Spending Policy and How the Investment Objectives Relate to Spending Policy

The University has a policy of appropriating for a maximum distribution each year of up to 5% of its endowment funds' average fair value using the prior three years through the fiscal year-end preceding

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the fiscal year in which the distribution is planned. In establishing these policies, the University considered the expected return on its endowment.

Effective with fiscal year ended May 31, 2022, the University changed its policy to calculate the distribution based on the average fair value using the prior three years through the fiscal year-end 2 years prior to the fiscal year end in which the distribution is planned. This change is to assist in more timely forecasting of distributions available for spending, particularly with regards to the awarding of endowed scholarships.

(10) Expenses

The natural and functional classification of operating expenses for the year ended May 31, 2023 and 2022 are as follows:

	2023						Total
	Compensation and benefits	Materials, supplies, and professional development	Professional services and marketing	Plant operations and maintenance	Interest and depreciation	Other	
Instruction and research	\$ 46,976	5,343	2,845	4,095	2,413	1,127	62,799
Student services and public service	20,306	3,755	3,679	3,163	5,820	2,731	39,454
Academic support and library	8,628	1,218	3,895	1,733	1,523	293	17,290
Institutional support and fundraising	17,492	3,715	7,230	4,569	1,033	3,809	37,848
Auxiliary enterprises	8,217	811	19,043	4,165	7,467	2,620	42,323
Total expenses	<u>\$ 101,619</u>	<u>14,842</u>	<u>36,692</u>	<u>17,725</u>	<u>18,256</u>	<u>10,580</u>	<u>199,714</u>

	2022						Total
	Compensation and benefits	Materials, supplies, and professional development	Professional services and marketing	Plant operations and maintenance	Interest and depreciation	Other	
Instruction and research	\$ 45,456	4,282	2,574	3,493	2,356	765	58,926
Student services and public service	19,220	3,008	2,980	3,054	5,693	5,692	39,647
Academic support and library	8,660	1,046	4,364	1,666	1,486	267	17,489
Institutional support and fundraising	20,535	2,809	6,490	4,524	1,005	3,419	38,782
Auxiliary enterprises	8,080	710	15,732	3,921	7,266	2,108	37,817
Total expenses	<u>\$ 101,951</u>	<u>11,855</u>	<u>32,140</u>	<u>16,658</u>	<u>17,806</u>	<u>12,251</u>	<u>192,661</u>

Costs related to the operation and maintenance of physical plant, including depreciation of plant assets and interest on related debt, are allocated to program and supporting activities based upon use of facilities. The natural class of operation and maintenance of physical plant includes rent, utilities, repairs and maintenance, and other related expenses.

Direct fundraising expenses for the years ended May 31, 2023 and 2022 were \$4,102 and \$3,532, respectively.

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(11) Availability of Financial Assets for General Expenditures

Resources available to the University to fund general expenditures, such as operating expenses, interest and principal payments on debt, and internally funded capital construction, have seasonal variations related to the timing of tuition billings, receipt of gifts and pledge payments, and transfers from the endowment. The University actively manages its resources, utilizing a combination of short, medium, and long-term operating investment strategies, to align its cash inflows with anticipated outflows, in accordance with policies approved by the Board of Trustees. As further described in Note 6, the University may draw upon a revolving line of credit (expires December 2023) to manage cash flows.

As of May 31, 2023 and 2022, existing financial assets and liquidity resources available within one year were as follows:

	2023	2022
Financial assets available for general expenditure within one year:		
Cash and cash equivalents	\$ 16,862	21,584
Operating investments	59,754	77,758
Liquidity resources:		
Revolving line of credit	12,000	12,000
Total	\$ 88,616	111,342

Additionally, the University has \$140,772 in board-designated endowment, of which approximately \$97,000 can be liquidated within one year, however, no liquidation is anticipated. The fiscal year 2024 spending from the endowment is estimated to be \$13,963. Included in cash and cash equivalents at May 31, 2022 was \$16,316 of cash related to the endowment that was invested in the endowment portfolio in the beginning of the fiscal year ended May 31, 2023.

(12) Retirement Benefit Plan

Retirement benefits are provided to eligible employees (participants), through direct payments to the defined contribution retirement plan. The University contributed an amount equal to 9% of the participant's eligible compensation for the years ended May 31, 2023 and 2022, respectively. Contributions under the plan are fully vested and retirement payments are limited to the amount of the participant's account. The University's contributions were approximately \$5,889 and \$5,775 in 2023 and 2022, respectively.

(13) Commitments and Contingencies

(a) Leases

The University leases classroom facilities, office space, student housing, vehicles, parking spaces and printing equipment under long term operating leases. The University holds no finance leases as of May 31, 2023 and 2022. Payments due under the lease contracts include fixed payments plus, for many of the University's leases, variable payments, including for property taxes, insurance, and common area maintenance.

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For the years ended May 31, 2023 and 2022, the components of the lease expense are as follows:

	2023	2022
Operating lease cost	\$ 1,447	1,959
Variable lease cost	95	196
Short-term lease cost	74	203
Total lease cost	\$ 1,616	2,358

Other information related to leases after the adoption date of June 1, 2021 for the years ended May 31, 2023 and 2022 was as follows:

	2023	2022
Supplemental cash flow information:		
Operating cash flow from operating leases	\$ 1,130	1,714
ROU assets obtained in exchange for lease obligations	4,778	143
Reductions to ROU assets resulting from reductions to lease obligations	—	—
Weighted average remaining lease term (years)	7.5	0.9
Weighted average discount rate	2.56 %	0.22 %

Maturities of lease liabilities under noncancellable leases as of May 31, 2023 are \$929, in 2024, \$841 in 2025, \$851 in 2026, \$811 in 2027 and \$3,389 in 2028 and thereafter. Imputed interest and total operating lease liabilities are \$9 and \$5,997 as of May 31, 2023.

(b) Other

The University is subject to various claims, litigation, and other assessments in the normal course of its operations, and liabilities for loss contingencies are recorded when it is probable that a liability has been incurred and the amount can be reasonably estimated. Management of the University does not expect the ultimate resolution of these actions to have a material adverse effect on the University's financial position.

In April 2023, the University entered into a contract with Workday, Inc. to implement their Enterprise Resource Planning software. The contract, which has a term of 10 years, requires the University to pay approximately \$11.4 million in subscription fees over the course of the 10-year period. In addition, the University has contracted with an outside consultant to assist in the implementation. That contract, which has an expected term of approximately 3 years, is estimated at \$8.0 million. Upon full implementation of Workday which is planned for Fall of 2026, the University will no longer be using their current ERP system to which they currently pay approximately \$0.9 million per year.

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(14) Related Party Transactions

Several members of the Board of Trustees are employed by organizations that provide services to the University, primarily banking and insurance services. All members of the Board of Trustees and Officers of the University are required to disclose annually any information about possible beneficial or adverse interests affecting the University including interests or family members and organizations in which the Board member or Officer (or member of his or her family) has significant management function or a significant ownership interest. Fees to companies that employed related parties totaled \$1,909 and \$2,188 in fiscal years 2023 and 2022, respectively. Certain gifts and pledges to the University are received annually from board members. All related party activity is conducted in accordance with the University's normal policies and procedures.

(15) Subsequent Events

The University has evaluated subsequent events from the balance sheet date through October 18, 2023, and determined that there are no adjustments or disclosures required.