Stanford

Annual Financial Report

August 31, 2022 and 2021

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Advancing our vision and supporting our community

President Marc Tessier-Lavigne

“We have left the planning phase of our Long-Range Vision behind. We are now executing on our plans for the future, making progress across all of our Vision themes and seeing real impact in our community and in the world.”

As we close another fiscal year, we have an opportunity to consider the last twelve months, as well as our opportunities ahead. Despite the impact of external factors, such as inflation, rising interest rates, and geopolitics on our university’s finances this past year, the Stanford community has continued to work **to advance the aims of our Long-Range Vision**, and the university has continued to **support our community’s recovery** from the pandemic.

We celebrated a number of exciting milestones over the last year. In October, Professor Guido Imbens won the Nobel Prize in Economics for his insights into how to derive causal inferences from natural experiments. Stanford’s second solar plant came online in the spring, allowing us to achieve the goal of producing enough renewable electricity to exceed what our main campus consumes. With more of our community back on campus, the Stanford Arts have been reinvigorated, and many exciting student traditions began to return, like Gaieties, the Wacky Walk, and fountain hopping. Of course, these are just a few of many highlights from the year.

As I look back at the last year, one other thing is clear: **we have left the planning phase of our Long-Range Vision behind**. We are now executing on our plans for the future, making progress across all of our Vision themes, and seeing real impact in our community and in the world.

Most notably, this spring, we announced a transformative $1.1 billion gift from John and Ann Doerr, along with the gifts of other generous lead donors, to launch the new Stanford Doerr School of Sustainability. With its novel three-part structure of traditional departments, interdisciplinary institutes, and a sustainability accelerator, the school aims to help Stanford build fundamental knowledge of the Earth and its systems, accelerate the development of solutions to the climate crisis at scale, and educate tomorrow’s problem-solvers in this urgent area.

In addition to the new school, we’ve made strides across the other pillars of our Vision. We’ve advanced fundamental research priorities, including funding for professorships, graduate fellowships, and undergraduate scholarships. In our work to accelerate solutions, we’ve also raised more than $100 million combined in support of the Stanford Impact Labs and the Innovative Medicines Accelerator, both of which have already helped to empower our faculty to move their ideas toward impact.

In education, we’ve worked to fortify financial aid to enable access for all admitted students. We also launched the new first-year requirement, Civic, Liberal, and Global Education, or COLLEGE, intended to ensure that all students engage deeply with ethics and civic responsibility during their time at Stanford.

Across the university, we have also focused on efforts to advance diversity, equity, inclusion, and belonging under the university’s IDEAL initiative: from rolling out the IDEAL Learning Journey for staff, to working to diversify our community of scholars through the IDEAL Provostial Fellows program and the Race in America faculty cluster hire.

In September 2021, the university announced an agreement with Notre Dame de Namur University (NDNU) to work toward Stanford’s purchase of NDNU’s campus in Belmont, with the goal of supporting the academic missions of both universities. Planning for the future of a Stanford campus in Belmont is underway, including extensive community outreach and initial campus design work.

As we executed on our Long-Range Vision, it was wonderful to have more students, faculty, and staff return to campus this year. As anticipated, the resumption of operations and programs that had been put on hold due to the pandemic drove increases across all expense categories, as did rising inflation. Stanford continued to implement protocols to support public health and provided testing to members of our campus community, as well as quarantine and isolation spaces for students, as the pandemic evolved and posed new questions and challenges.

In addition to pandemic support, we announced a new series of affordability initiatives in January 2022, including increased family grant programs for graduate students and postdocs, enhancements to faculty housing assistance, and a special across-the-board salary increase for regular, benefits-eligible staff and faculty. As part of ongoing efforts to provide more housing in our challenging local market, we’ve acquired additional housing space to allow us to provide more members of our community housing at reasonable rates.

While I am pleased with our progress on many fronts, it’s clear that economical, geopolitical, and societal factors will continue to impact our operations. But through this moment of financial uncertainty, we are committed to continuing to advance our mission and priorities. The past two years have reinforced, more than ever, the importance of the contributions that our community makes to understanding our world, finding solutions to great challenges, and educating the next generation of citizens and leaders.

Overview

We (the university) are executing plans to realize the ambitions of our Long- Range Vision (Vision), with a focus on collaboration and interdisciplinary work, constructing a new operating normal, and continuing to care for our community. We have sought to leverage the collective learnings from the past two and half years to strengthen our operations and reinvigorate campus life. Enabled by robust financial results from the prior year, we are seeing significant advancements across all four themes of our Vision.

We will seek to continue to leverage our strong financial foundation, coupled with innovation, intelligent persistence and continued dedication of the entire Stanford community, to enable us, as President Marc Tessier-Lavigne articulated in his inaugural address, “to deploy Stanford’s tremendous strengths and vast intellectual capacity for the benefit of humanity.”

Our four Vision themes include Sustaining Life, Catalyzing Discovery, Accelerating Solutions, and Preparing Citizens and Leaders. Woven throughout each theme is a commitment to diversity, equity, and inclusion and Living our Values.

Sustaining Life

Sustaining Life encompasses both academic and research programs dedicated to this important purpose, as well as the university’s collective resolve to incorporate this theme into how we operate. This year we achieved a number of our sustainability goals, enabled by our donors' commitment and deliberate capital planning and investments.

Stanford Doerr School of Sustainability

The $1.1 billion gift from John and Anne Doerr, the largest gift in Stanford history, along with foundational gifts from other generous donors, helped launch the Stanford Doerr School of Sustainability, including the new Sustainability Accelerator. The school is designed to combine knowledge generation and impact across all areas of scholarship and in collaboration with partners worldwide to create solutions to benefit our planet.

Our capital planning process reflects our commitment to sustainability and the goal of incorporating sustainability practices and ethos into key aspects of our plant facilities and operations. The $300 million climate and sustainability bond issued in fiscal year 2021 helped drive key projects, including the Central Chiller Plant Expansion (completed in fiscal year 2022) which will nearly double chilled water capacity on the historical campus.

Further, in fiscal year 2022, we brought into operation a second Solar Generating Station, completing the university’s transition to 100% renewable electricity. This marks a major milestone toward achieving net zero carbon emissions by 2050. We will now be capable of producing enough clean renewable electricity to exceed the university’s annual electricity consumption.

Stanford Solar Generating Station #2
(Image credit: Goldman Sachs Renewable Energy)

Catalyzing Discovery and Accelerating Solutions

The theme Catalyzing Discovery and Accelerating Solutions seeks to drive advancements in fields of study spanning the arts and humanities to mathematics and the sciences, burgeoning progress in tackling complex and urgent challenges facing humankind. Donors provided financial support for priorities such as the Phil and Penny Knight Initiative for Brain Resilience, a new campus-wide initiative to combat neurodegeneration, and Sarafan ChEM-H (Chemistry, Engineering and Medicine for Human Health), which is directed by Nobel laureate Carolyn Bertozzi and seeks to advance molecular discoveries in human health.

We continue to expand investments in emerging fields of research, including for the Stanford Institute for Human-Centered Artificial Intelligence (HAI), an academic research center focused on the human impact of AI technologies. In fall 2021, HAI launched the new Center for Research on Foundation Models that convenes scholars from across the university to understand and build a new type of technology that will power AI systems in the future.

The Innovative Medicines Accelerator, which seeks to accelerate the translation of Stanford research discoveries into new medicines while expanding our knowledge of human biology, turned its attention sharply over the past years to helping researchers test potential remedies for COVID-19. This year, the center was able to make further advances in molecular therapeutics and regenerative medicine.

Preparing Citizens and Leaders and Living Our Values

Stanford seeks to embed inclusion, civic engagement, and a respect for robust discourse in education and residential life, preparing students for lives of active citizenship. Progress this year included new endowed directorships and programming funds for cultural community centers. The Stanford Center for Racial Justice continues programs and studies on police reform, corporate governance and racial equity. Additionally, we welcomed our new faculty director for the Martin Luther King, Jr. Research and Education Institute, which supports a broad range of educational activities illuminating Dr. King's life and the movements he inspired.

Stanford ResX Initiative

Recognizing that living our values and academic success begins at a student's home, we implemented the ResX initiative in 2021 which seeks to re-envision the undergraduate residential learning experience at the university. This year, efforts continued within neighborhoods to fortify student living and learning through formal teaching, informal learning, and personal support in the residences that are integral to a Stanford education.

Caring for our Community and Reinvigorating Campus Life

We deeply appreciate the efforts of all members of our community over these difficult years. Recognizing the compounded impact that the economy and pandemic continues to have on affordability, we implemented new initiatives and continued existing efforts to meet the needs of our community.

Effective in March 2022, regular benefits-eligible staff and faculty received a special across-the-board salary increase. Additionally, employees whose work is performed 100% on-site are receiving supplemental pay through the end of December 2022 to address affordability challenges. Other affordability measures including housing assistance, family grant enhancements and other one-time grants for untenured faculty were also implemented. For graduate students, the university has increased health insurance coverage in fiscal year 2023 and has committed 12 months of funding for every PhD student for up to five years.

Affordability for undergraduates also continues to be a priority. Over the past few years, we have significantly expanded undergraduate need-based financial aid. In the most recent measure in this direction, the university revised its policy so that undergraduate families with incomes below $75,000 and assets typical of that income level will not be expected to pay tuition, room or board, up from the previous $65,000 threshold.

The community's commitment to keeping each other safe, which includes vaccination, masking, social distancing, and regular testing, helped campus activity to pick back up again. To cultivate opportunities for students to feel connected and engaged as they returned to campus, the university invested in reinvigorating social activities by organizing neighborhood and university-wide events for students, including Cardinal Nights and events at the Arbor. A Social Life Accelerator Task Force formed to create more ways to bridge the cultural and community gap caused by limited social activity over the pandemic.

Supporting the Vision - Financial Summary

Stanford ended fiscal year 2022 with a consolidated operating surplus of $534 million, which includes the financial results of the university, Stanford Health Care (SHC), Lucile Salter Packard Children's Hospital at Stanford (LPCH) and their respective affiliates. Consolidated revenues increased 9% to $15.1 billion driven by increases in health care revenues, net student income and sponsored support. Consolidated expenses grew 11% to $14.6 billion outpacing the growth in revenues and resulting in a 37% decrease in consolidated operating surplus as compared to fiscal year 2021 .

Increases in consolidated revenues in fiscal year 2022 reflect growth in patient volumes and associated health care services revenues; students returning to campus and related room and board increases; and increased research activities. Consolidated operating expenses increased with salaries and benefits growing by 13% and other operating expenses by 12%. These increases were due to salary and benefits increases during the year, rebounding of operational activity and related costs, and inflation that drove higher costs broadly in all expense categories including materials, supplies and services.

Hopkins Marine Station, Tidal Pool Studies

The value of the university endowment at the end of fiscal year 2022 was$36.3 billion after distributing $1.5 billion to support current operations, including vital academic programs and financial aid.

Looking ahead

Catalyzed by our vision for the future, we seek to forge ahead with a new normal of increased in-person activities, busy workspaces, and re-invigorated neighborhoods and communities. However, we also must address challenges presented by urgent climate and sustainability issues, economic and socio-political impacts, and other external factors.

The Stanford Doerr School of Sustainability looks to pursue initiatives around sustainability and reinforce our commitment to focus on solutions to amplify local as well as global impact. Amid increased frequency of wildfires, heatwaves and energy grid outages, the university must continue to ensure campus infrastructure resiliency to support the key priorities around the health and safety of our community.

For the first time since the early 1980s the United States and other developed economies are experiencing high levels of inflation. To combat inflation the Federal Reserve has raised interest rates. These and other economic challenges have negatively affected, and may continue to negatively affect, financial markets. For Stanford, these challenges may compress revenue, drive up expenses, and present a more challenging budgeting environment.

Oak Creek Apartment Complex

We also look to continue addressing affordability challenges which have been exacerbated by the effects of recent inflation and economic pressures. In September 2022, the university announced that the Oak Creek Apartments, a large multifamily residential complex located on university lands, will be repurposed for university-use to enable more of our community to live close to where they work and learn. In addition, Middle Plaza in Menlo Park, will provide additional housing opportunities for our community.

IDEAL

Diversity Equity & Inclusion SURVEY

RACE & ETHNICITY

As part of the university's IDEAL initiative, it will seek to leverage the diversity, equity, inclusion and belonging (DEIB) professionals from each school and around campus to establish achievable goals, objectives, and strategies. Other progress includes the ongoing IDEAL Learning Journey, the launch of the Gender Data Enablement Project and a Disability Task Force.

Through these opportunities and challenges, Stanford remains focused on making bold contributions and addressing the great challenges facing the world. Motivated by our values, we continue taking steps to advance our priorities and execute on our Vision.

Operating Results

The university, Stanford Health Care (SHC) and Lucile Salter Packard Children's Hospital at Stanford (LPCH) each generated positive operating results in fiscal year 2022. On a consolidated basis, operating revenues exceeded expenses by $534 million, with SHC driving the majority of the operating surplus. This was a 37% decrease in operating income from fiscal year 2021.

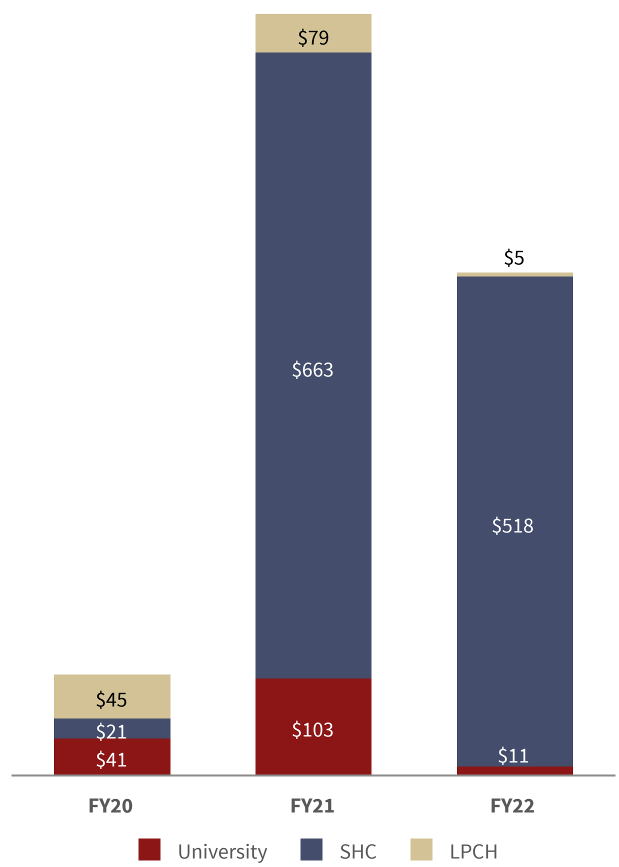
The university experienced a modest operating surplus of $11 million in fiscal year 2022 compared to $103 million in fiscal year 2021. While operating revenues increased across most revenue streams, they were outpaced by higher operating expenses, resulting in lower operating income. The main drivers of the operating revenue increases were student income and special program fees and other income. Higher operating expenses were a result of the implementation of salary and benefits affordability measures, inflation, continued costs associated with COVID-19 surveillance testing and the resumption of operational activities that were placed on hold due to COVID-19. Additionally, the university received sizeable gifts towards the latter half of fiscal year 2022 that remained unspent at August 31, 2022. In accordance with accounting guidance these gifts were recorded in gifts and pledges with donor restrictions and excluded from operating results.

In fiscal year 2022, the collective bargaining agreement with the Committee for Recognition of Nursing Achievement (CRONA) was up for renewal with SHC and LPCH. During the negotiation, nurses represented by CRONA went on an eight day strike, which required the hospitals to hire replacement nurses at a premium and, in certain cases, to decant patients to other hospitals. This labor action had a significant financial impact on both hospitals in fiscal year 2022.

SHC's operating surplus decreased by $145 million to $518 million. This decrease was primarily driven by decreased relief funding received during fiscal year 2022 for reimbursement of COVID-19 lost revenue and expenditures. Excluding relief funding from the Coronavirus Aid, Relief, and Economic Stimulus Act (CARES Act) and Federal Emergency Management Agency (FEMA), fiscal year 2022 operating surplus would have been $303M and fiscal year 2021 operating surplus would have been $253M. The $50 million year-over-year growth is attributed to increased patient volume partially offset by increased operating expenses. Operating expenses were driven higher due to increases in salaries and benefits, services, supplies and additional labor expenses incurred to prepare and operate the health system during a nursing labor action.

Even with strong operating revenues in fiscal year 2022, LPCH's operating surplus decreased by $74 million to $5 million, with the impact of the CRONA labor action representing a significant portion of that decrease. In addition, LPCH expenses increased from prior year due to increases in salaries and benefits, and higher than normal inflation impacting supplies and services.

Operating Surplus (in millions)



Operating Revenues

Total consolidated operating revenues increased by $1.2 billion or 9% to $15.1 billion. Health care services revenues were the largest source of revenue and constituted approximately 60% of total consolidated revenues in both fiscal years 2022 and 2021. Overall health care services revenues grew by 11% to end the year at $9.2 billion. Following health care revenues are investment income distributed for operations, which remained flat at $1.8 billion, and sponsored support, which grew by 7% to $1.8 billion; each comprising 12% of consolidated operating revenues. Excluding sponsored support for SLAC National Accelerator Laboratory (SLAC) from the Department of Energy, sponsored support increased by 7% to $1.3 billion due to increased federal research support from the Department of Health and Human Services.

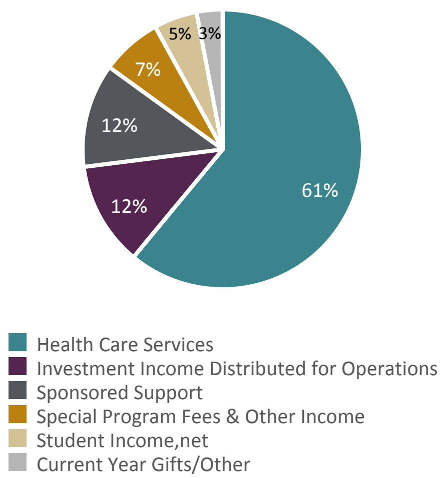
Student income rebounded in fiscal year 2022 with an increase of 41% or $207 million. This growth was driven by increased room and board and tuition revenues offset slightly by increased student financial aid and support as further described under the "Teaching and Education" section below.

Operating Revenues (continued)

Overall special program fees and other income was relatively flat year over year with increases at the university and LPCH, largely offset by decreases at SHC. The university experienced an increase in special program fees and other income of $153 million or 40% driven by university operations returning to pre-pandemic operating levels, specifically in executive education programs, athletic programs and camps as well as dining and hospitality services.

Fiscal year 2021 was an extraordinary year with SHC and LPCH receiving CARES Act provider relief distributions of $393 million and $7 million, respectively, to mitigate COVID-19 lost revenue and expenditures incurred in both fiscal years 2020 and 2021. As expected, CARES provider relief distributions decreased in fiscal year 2022 by $195 million with SHC and LPCH receiving $203 million and $2 million, respectively.

Consolidated Operating Revenues | $15.1B



Operating Expenses

Total consolidated operating expenses increased $1.5 billion or 11% to $14.6 billion. The majority of these expenses were related to salaries and benefits for faculty and staff which comprise more than 60% of both the consolidated and university operating expenses.

Overall salaries and benefits increased by $1.0 billion or 13% in fiscal year 2022 compared to fiscal year 2021. Addressing the salary freeze applied in fiscal year 2021, as well as affordability challenges , the university implemented a salary increase effective September 1, 2022 and an additional 3% increase for regular benefits eligible staff and faculty effective in March 2022. SHC and LPCH similarly continued robust salary programs implementing a 5% across-the-board salary increase during the fiscal year. Salaries and benefits were driven even higher by the CRONA labor action and higher usage and market rates for temporary staffing due to COVID-19.

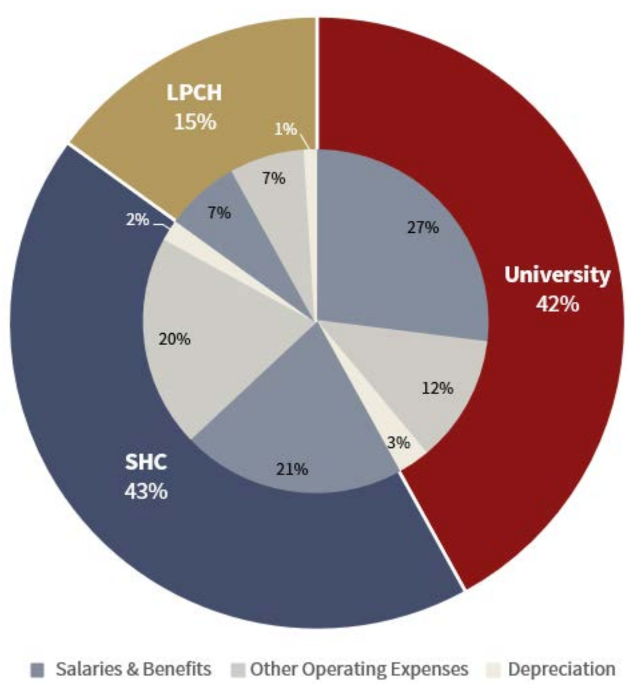
Additionally, the university continued to make advances in affordability initiatives which included the roll out of a number of programs such as stipends for fully onsite staff; an increased family grant program for graduate students and postdoctoral scholars; a new pilot program to provide transitional housing for new postdocs; a series of one-time grants for untenured faculty with financial needs; and enhancements to faculty housing assistance.

Consolidated other operating expenses increased $515 million or 12%. As operational activity resumed, and students, faculty and staff returned to campus, the university experienced increased operating costs of $289M spread across all expense categories. Compounding this was the widespread impact of inflation. Most notably expenses rose for travel and food as well as professional services and materials and supplies as a result of increased sponsored research activities. In addition, the university incurred costs of approximately $50 million on COVID-19 related expenses including testing, personal protective equipment, additional cleaning, quarantine and isolation meal preparation and delivery.

SHC's other operating expenses increased $271 million or 9% to $3.3 billion in fiscal year 2022, primarily due to increases in purchased services (physician services), increased costs of medical, surgical and pharmaceutical supplies, and additional patient care expenses related to the increased patient volume.

LPCH's other operating expenses increased $52 million or 5% to $1.1 billion in fiscal year 2022, primarily driven by increased volume and rising inflation that has steadily increased the prices for supplies and services.

Consolidated Operating Expenses: $14.6B



Health Care

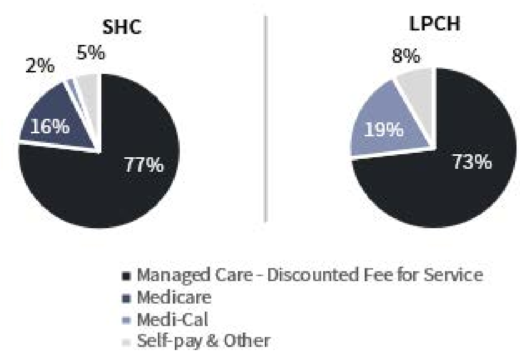
Stanford Medicine, comprised of the university's School of Medicine (SOM), SHC, and LPCH, is an academic medical center that integrates a research university with a network of care facilities.

The university's fiscal year 2022 health care services revenue increased $107 million or 8% to $1.5 billion. The SOM faculty serve as physicians for the hospitals and over 95% of the university's health care services revenue is received from SHC and LPCH based on clinician activities.The increase was driven by the patient care needs and continued growth in the hospitals' clinical programs.

SHC's net patient service revenue increased by $870 million or 14% in fiscal year 2022 to $6.9 billion. Inpatient and outpatient services, which represented 40% and 60% of net patient revenue, respectively, grew in multiple areas, including pharmacy, imaging, lab, cancer and cardiovascular services.

LPCH's fiscal year 2022 net patient service revenue increased by $103 million or 5% to $2.2 billion in both inpatient and outpatient services. LPCH served its community by providing services to underserved patients. Approximately 40% of its gross revenues are from patients covered under Medi-Cal. LPCH's planned areas of strategic growth exceeded expectations in the Bass Center for Childhood Cancer and Blood Diseases, the Johnson Center for Pregnancy and Newborn Services, and Pediatric Transplant service lines.

Net Patient Service Revenue



Research

In fiscal year 2022, total sponsored support from federal and non-federal sponsored sources increased by $124 million compared to fiscal year 2021. The majority of the university's sponsored support is received from the federal government. The U.S. Department of Health and Human Services (DHHS) and the U.S. Department of Energy (DOE) are the two largest federal sponsors.

DOE provides most of the sponsored support for the SLAC National Accelerator Laboratory (SLAC). SLAC's total sponsored support increased by $35 million or 7% in fiscal year 2022. Operational activity increased by 9% primarily due to higher usage of the Linac Coherent Light Source instrument and construction activity increased 1% due to the construction of a cooling tower and Large Scale Collaboration Center.

Excluding SLAC, the university's sponsored support revenue increased by $84 million with 56% of the increase attributable to support from DHHS primarily for the School of Medicine.

Philanthropy | Gifts & Pledges

Fundraising results in fiscal year 2022 were strong, demonstrating the continued engagement and support of Stanford's generous donors towards the its mission. Gifts are an important source of funding for current operations, as well as for capital projects and new endowments. The majority of gifts and pledges at Stanford are restricted by donors for specific programs and purposes, such as student aid, academic programs that support teaching and research, and new facilities for research, clinical care and housing. The university recorded total net gifts and pledges in fiscal year 2022 of approximately $1.8 billion, with $273 million reflected as current year gifts in support of operations and an additional $1.5 billion reflected in the non-operating section of the Statement of Activities. Gifts and pledges reported in the Statement of Activities are recorded on an accrual basis.

During the fiscal year, John and Ann Doerr pledged $1.1 billion to support the new Stanford Doerr School of Sustainability (SDSS). The gift will be recorded in the financial statements as milestones in establishing the school are completed. In fiscal year 2022, $99.6 million of the gift was recorded.

Total gifts and pledge payments reported by the Office of Development were $1.6 billion. This reflects contributions received in cash or property and includes $16 million for SHC and $39 million for LPCH.

Overall, gifts and pledges grew by $460 million in fiscal year 2022, or 36%. Donors gifted to key university initiatives, including sustainability with support for the SDSS and the Sustainability Accelerator; as well as for priorities related to faculty and research innovation, including the expansion of wastewater based epidemiological research and surveillance.

Students and faculty celebrate the launch of the Doerr School of Sustainability

Philanthropy | Gifts & Pledges (continued)

Donors also supported a number of other areas including interdisciplinary research in the data sciences; research focused on the challenges faced by society; and core needs, in the form of scholarships and professorships.

In addition, a foundational $100 million gift made in fiscal year 2022 to LPCH, will be received over the the next four years and will fund new facilities for expectant mothers and babies. LPCH also received new gifts of $32 million by donors in fiscal year 2022.

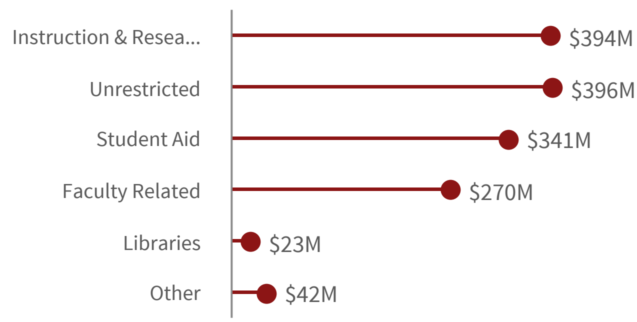
Investment Income Distributed for Operations

University investment income distributed for operations was $1.7 billion, of which $1.5 billion came from the university's endowment and the remaining $277 million from the expendable funds pools and other investment income.

The Board of Trustees is responsible for approving endowment payout with the aim of balancing current and future needs of the university. Through a combination of investment strategy and payout policy, the university strives to provide a reasonably consistent monthly payout to provide critical support for current operations, while preserving purchasing power, and ensuring that the endowment can support the university in perpetuity. Payout from the endowment funded over 21% of the university's 2022 operating expenses.

The endowment value at the end of the fiscal year was $36.3 billion, a decrease of 3.8% over prior year. In addition to endowment payout, over the past two years an additional $447 million of the unrestricted endowment was withdrawn to fund COVID-19 related expenses and revenue shortfalls.

University Endowment Payout by Purpose



As shown in the figure above, almost 75% of the endowment payout is restricted by purpose. Endowment payout is primarily used for instruction and research activities, student aid, and faculty salaries and support. Unrestricted endowment payout is also used to support these activities in addition to other critical strategic priorities.

Teaching & Education

New Student Orientation, Class of 2026

Student income, which includes tuition and room and board revenues, offset by student financial aid increased by 41% or $207 million. As more students returned to campus in the fall, residential occupancy rebounded resulting in room and board revenues increasing by $135 million. In addition, tuition revenues increased by $134 million driven primarily by higher undergraduate enrollment and expiration of the tuition free-flex term that was offered during the 2021 academic year. Undergraduate enrollment increased due to fewer deferrals and students taking a leave of absence, combined with enrollment of approximately 400 frosh who previously chose to take a gap year resulting in the largest frosh class in university history.

One of the university's highest priorities and an initiative of its Vision is to remain affordable and accessible to all admitted students, regardless of their financial circumstances. In fiscal year 2022 nearly 50% of undergraduates were awarded need-based financial aid while over 80% of graduate students received some form of financial support.

Student financial aid to graduate and undergraduate students increased by $62 million to $402 million in fiscal year 2022 despite undergraduate tuition remaining flat in fiscal year 2022. This increase was driven by an increase in financial aid recipients as a result of higher enrollment, a higher number of students in university housing, and increased eligibility to receive aid under the university's expanded financial aid programs. In addition, the university also provided support in the forms of stipends (included in other operating expense), teaching and research assistantships and related allowances for tuition (included in salaries and benefits expense) of $379 million in fiscal year 2022.

Sources of the total $781 million of student financial aid and graduate support included approximately $342 million in payout from endowment funds and expendable gifts restricted for student aid, $309 million from unrestricted university funds and $130 million from grants and contracts.

Statements of Financial Position

Total consolidated assets and liabilities remained flat year-over-year at $75.1 billion and $15.6 billion, respectively, in fiscal year 2022.

University Investments

As of August 31, 2022, university investments totaled $46.5 billion, a decrease of $1.5 billion from prior fiscal year. The decrease was driven by net investment losses, and income distributed for operations, offset by the addition of investment capital from new gifts and pledge payments. Investment losses resulting from market performance were slightly mitigated by appreciation of the real estate portfolio.

The majority of the university's investments, $36.2 billion, are a part of a diversified portfolio of actively managed public and private equity, absolute return, natural resources, and real estate assets. The portfolio is designed to optimize long-term returns, create consistent monthly payouts to support the university's operations and preserve purchasing power for future generations of Stanford students and scholars.

In addition, $7.7 billion of the university's investments include real estate located on a portion of Stanford's 8,271 acres which is designated by the Board of Trustees for the production of income. These lands have been developed for various uses, including research, medical and commercial offices, hotels, retail properties and a regional shopping center, and are further diversified by a variety of financial structures. In recent years, the value of these properties has benefited from regional market dynamics including rising investor demand for real estate, high occupancy rates, increased office rents and strong retail sales.

Capital Projects

Stanford continues to make significant investments in its physical facilities with consolidated spending of over $800 million in fiscal year 2022.

For the university, these investments support key components of its Vision and provide foundational campus infrastructure. Over the past decade, the university replaced aging facilities with new and renovated buildings and has expanded the arts district to enable students, faculty, staff and the larger community to experience arts on the campus in new ways. In fiscal year 2022, significant projects completed included the Central Energy Facility Chiller Plant Expansion and renovations of the Gates Computer Science Building and Hobach Hall.

At the end of fiscal year 2022, construction on Middle Plaza Residences was in progress. The project is aimed at expanding the supply of affordable housing for staff and faculty, and supporting the university's diverse community. Further supporting this important priority, the university repurposed Oak Creek Apartments, a large multifamily residential complex located on university lands, from commercial to university-use.

At fiscal year end, operating cash was driven higher as the university prepared for this capital investment.

Both SHC and LPCH also continued to make investments in facilities and systems including hospital renovations, new clinic buildings, and information technology infrastructure enhancements.

Central Energy Facility Chiller Plant Expansion

Debt

During fiscal year 2022, total debt remained relatively flat at $8.3 billion due to minimal financing activities.

The university issued $30M of taxable commercial paper in fiscal year 2022. The university continued to maintain the highest available long- and short-term credit ratings by Moody's Investor Service (Moody's), S&P Global Ratings (S&P) and Fitch Ratings (Fitch) rating agencies.

In May 2022, CHFFA completed, on behalf of LPCH, forward delivery refunding bonds in the aggregate principal of $207 million. Proceeds of the Series 2022 bonds were used for the legal defeasance and redemption of 2012 Series A, partial refund of the 2012 Series B bonds and payments of costs of issuance. In June 2022, LPCH's long-term ratings were affirmed by S&P, Moody's, and Fitch at A+/A1/AA-, respectively.

For SHC, no debt or refinancing activities occurred in fiscal year 2022. In March and April 2022, SHC's long-term ratings were affirmed by S&P, Moody's, and Fitch at AA-/Aa3/AA, respectively.

SELECTED FINANCIAL AND OTHER DATA

Fiscal Years Ended August 31

	2022	2021	2020	2019	2018
	(dollars in millions)				
CONSOLIDATED STATEMENTS OF ACTIVITIES HIGHLIGHTS:					
Total operating revenues	$ 15,132	$13,939	$12,455	$12,262	$11,311
Student income (A)	715	508	610	653	635
Sponsored support	1,812	1,681	1,622	1,683	1,656
Health care services	9,232	8,302	7,137	7,051	6,302
Investment income distributed for operations	1,752	1,751	1,661	1,583	1,509
Total operating expenses	14,597	13,094	12,348	11,639	10,839
Change in net assets from operating activities	535	845	107	623	472
Other changes in net assets	(434)	11,377	1,877	1,338	2,181
Net change in total net assets	$ 101	$12,222	$ 1,984	$ 1,961	$ 2,653
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION HIGHLIGHTS:					
Investments at fair value	$ 52,180	$54,040	$40,929	$38,819	$37,784
Plant facilities, net of accumulated depreciation	13,377	13,079	13,173	12,863	11,678
Notes and bonds payable	8,271	8,383	8,226	7,075	6,662
Total assets	75,084	75,144	62,970	57,803	54,746
Total liabilities	15,588	15,749	15,797	12,614	11,519
Total net assets	59,496	59,394	47,173	45,189	43,227
UNIVERSITY STATEMENTS OF FINANCIAL POSITION HIGHLIGHTS:					
Investments at fair value	$ 46,474	$48,001	$37,575	$35,292	$34,517
Plant facilities, net of accumulated depreciation	7,904	7,683	7,686	7,270	6,508
Notes and bonds payable	5,154	5,144	5,004	4,247	3,834
Total assets	60,274	60,495	49,934	46,370	44,037
Total liabilities	9,867	9,879	9,628	7,869	7,153
Total net assets	50,407	50,616	40,306	38,501	36,884
OTHER FINANCIAL DATA AND METRICS:					
University endowment at year-end	$ 36,339	$37,788	$28,948	$27,700	$26,465
University endowment payout in support of operations	1,466	1,330	1,355	1,303	1,240
As a % of beginning of year University endowment	3.9 %	4.6 %	4.9 %	4.9 %	5.0 %
As a % of University total expenses	21.4 %	21.5 %	22.3 %	21.8 %	21.9 %
Total gifts as reported by the Office of Development (B)	1,624	1,393	1,363	1,112	1,097
STUDENTS:					
ENROLLMENT: (C)					
Undergraduate	7,761	7,645	6,366	6,994	7,083
Graduate	9,565	9,292	8,791	9,390	9,437
DEGREES CONFERRED:					
Bachelor degrees	1,699	1,511	1,771	1,893	1,754
Advanced degrees	3,533	3,310	3,422	3,433	3,440
FACULTY:					
Total Professoriate (C)	2,304	2,288	2,279	2,276	2,241
ANNUAL UNDERGRADUATE TUITION RATE (IN DOLLARS)	$ 55,473	$55,473	$52,857	$50,703	$48,987

(A) Student income is reported net of financial aid in the Consolidated Statements of Activities.

(B) Includes University, SHC and LPCH gifts.

(C) Fall quarter immediately following fiscal year-end.

MANAGEMENT RESPONSIBILITY FOR FINANCIAL STATEMENTS

The Leland Stanford Junior University ("Stanford University" or the "University") is the sole member of Stanford Health Care (SHC) and Lucile Salter Packard Children's Hospital at Stanford (LPCH). SHC and LPCH each have their own separate management with responsibility for their own financial reporting.

Management of the University, SHC and LPCH is each responsible for the integrity and reliability of their respective portions of these financial statements. The University oversees the process of consolidating SHC's and LPCH's information into the *Consolidated Financial Statements*. Management of each entity represents that, with respect to its financial information, the *Consolidated Financial Statements* in this annual report have been prepared in conformity with accounting principles generally accepted in the United States of America ("U.S. GAAP").

In accumulating and controlling financial data, management of the University, SHC and LPCH maintains separate systems of internal controls. Management of the respective entities believes that effective internal controls systems have been designed, implemented and maintained to provide reasonable assurance that assets are protected, and that transactions and events are recorded properly. All internal controls systems, however, no matter how well designed, have inherent limitations and can provide only reasonable assurance that their objectives are met.

The accompanying *Consolidated Financial Statements* have been audited by the University's, SHC's and LPCH's independent auditor, PricewaterhouseCoopers LLP. Their report expresses an opinion as to whether the *Consolidated Financial Statements*, considered in their entirety, present fairly, in conformity with U.S. GAAP, the consolidated financial position and changes in net assets and cash flows. The independent auditor's opinion is based on audit procedures described in their report, which include considering internal controls systems relevant to the preparation and fair presentation of the *Consolidated Financial Statements* in order to design audit procedures to provide reasonable assurance that the financial statements are free from material misstatement.

The Board of Trustees of the University and the separate Boards of Directors of SHC and LPCH, through their respective audit committees, comprised of trustees and directors not employed by the University, SHC or LPCH, are responsible for engaging the independent auditor and meeting with management, internal auditors and the independent auditor to independently assess whether each is carrying out its responsibility and to discuss auditing, internal controls systems and financial reporting matters. Both the internal auditors and the independent auditor have full and free access to the respective audit committees. Both meet with the respective audit committees at least annually, with and without each other, and without the presence of management representatives.

Randall S. Livingston
Vice President for Business Affairs
and Chief Financial Officer
and University Liaison for Stanford Medicine
Stanford University

Anne Sweeney-Hoy
Senior Associate Vice President of Finance
Stanford University

Linda Hoff
Chief Financial Officer
Stanford Health Care

Dana Haering
Chief Financial Officer
Lucile Salter Packard Children's Hospital at Stanford

pwc

Report of Independent Auditors

To The Board of Trustees of the
Leland Stanford Junior University

Opinion

We have audited the accompanying consolidated financial statements of The Leland Stanford Junior University and its subsidiaries ("Stanford"), which comprise the consolidated statements of financial position as of August 31, 2022 and 2021, and the related consolidated statements of activities and of cash flows for the years then ended, including the related notes (collectively referred to as the "consolidated financial statements").

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of Stanford as of August 31, 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.

Basis for Opinion

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

Responsibilities of Management for the Consolidated Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

PricewaterhouseCoopers LLP, 405 Howard Street, Suite 600, San Francisco, California 94105
T: (415) 498 5000, www.pwc.com/us

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Stanford'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 Stanford's ability to continue as a going concern for a reasonable period of time.

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

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the information included in the August 31, 2022 Stanford Annual Financial Report, but does not include the consolidated financial statements and our auditors' report thereon. Our opinion on the consolidated financial statements does not cover the other information, and we do not express an opinion or any form of assurance thereon.
In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the consolidated financial statements or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

PricewaterhouseCoopers LLP

San Francisco, California
December 6, 2022

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

At August 31, 2022 and 2021 (in thousands of dollars)

	2022	2021
ASSETS		
Cash and cash equivalents	$ 2,346,372	$ 1,672,789
Accounts receivable, net	2,007,638	1,754,010
Prepaid expenses and other assets	512,188	510,490
Pledges receivable, net	2,201,736	1,700,525
Student loans receivable, net	37,524	42,699
Faculty and staff mortgages and other loans receivable, net	984,106	892,098
Assets limited as to use	397,926	453,452
Investments at fair value	52,180,412	54,039,545
Right-of-use assets	1,038,384	999,513
Plant facilities, net of accumulated depreciation	13,377,434	13,078,630
Works of art and special collections	—	—
TOTAL ASSETS	**$ 75,083,720**	**$ 75,143,751**
LIABILITIES AND NET ASSETS		
LIABILITIES:		
Accounts payable and accrued expenses	$ 2,805,757	$ 2,806,361
Liabilities associated with investments	863,746	974,756
Lease liabilities	1,093,986	1,047,618
Deferred income and other obligations	1,991,260	1,988,117
Accrued pension and postretirement benefit obligations	562,496	629,851
Notes and bonds payable	8,271,006	8,302,590
TOTAL LIABILITIES	**15,588,251**	**15,749,293**
NET ASSETS:		
Without donor restrictions	35,519,294	35,452,324
With donor restrictions	23,976,175	23,942,134
TOTAL NET ASSETS	**59,495,469**	**59,394,458**
TOTAL LIABILITIES AND NET ASSETS	**$ 75,083,720**	**$ 75,143,751**

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

CONSOLIDATED STATEMENTS OF ACTIVITIES

For the years ended August 31, 2022 and 2021 (in thousands of dollars)

	2022	2021
NET ASSETS WITHOUT DONOR RESTRICTIONS		
OPERATING REVENUES:		
TOTAL STUDENT INCOME, NET	**$ 715,465**	**$ 507,923**
Sponsored support:		
Direct costs - University	971,253	900,635
Direct costs - SLAC National Accelerator Laboratory	524,943	489,872
Indirect costs	315,562	297,514
TOTAL SPONSORED SUPPORT	**1,811,758**	**1,688,021**
TOTAL HEALTH CARE SERVICES, primarily net patient service revenue	**9,232,029**	**8,301,556**
TOTAL CURRENT YEAR GIFTS IN SUPPORT OF OPERATIONS	**278,501**	**293,715**
Net assets released from restrictions:		
Payments received on pledges	224,177	245,873
Prior year gifts released from donor restrictions	81,402	99,352
TOTAL NET ASSETS RELEASED FROM RESTRICTIONS	**305,579**	**345,225**
Investment income distributed for operations:		
Endowment	1,475,411	1,349,444
Expendable funds pools and other investment income	276,740	401,838
TOTAL INVESTMENT INCOME DISTRIBUTED FOR OPERATIONS	**1,752,151**	**1,751,282**
TOTAL SPECIAL PROGRAM FEES AND OTHER INCOME	**1,036,678**	**1,051,292**
TOTAL OPERATING REVENUES	**15,132,161**	**13,939,014**
OPERATING EXPENSES:		
Salaries and benefits	8,881,869	7,877,461
Depreciation	851,818	866,675
Other operating expenses	4,863,755	4,349,432
TOTAL OPERATING EXPENSES	**14,597,442**	**13,093,568**
CHANGE IN NET ASSETS FROM OPERATING ACTIVITIES	**$ 534,719**	**$ 845,446**

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

CONSOLIDATED STATEMENTS OF ACTIVITIES, Continued

For the years ended August 31, 2022 and 2021 (in thousands of dollars)

	2022	2021
NET ASSETS WITHOUT DONOR RESTRICTIONS (continued)		
CHANGE IN NET ASSETS FROM OPERATING ACTIVITIES	**$ 534,719**	**$ 845,446**
NON-OPERATING ACTIVITIES:		
Increase (decrease) in reinvested gains	(743,938)	5,548,668
Donor advised funds, net	34,611	3,395
Current year gifts not included in operations	5,053	408
Capital and other gifts released from restrictions	71,100	71,698
Pension and other postemployment benefit related changes other than service cost	89,504	107,179
Transfer to net assets with donor restrictions, net	(70,233)	(75,080)
Swap interest and change in value of swap agreements	138,866	53,351
Gain (loss) on extinguishment of debt	6,947	(2,558)
Non-controlling interest	2,207	—
Other	(1,866)	(6,958)
NET CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTIONS	**66,970**	**6,545,549**
NET ASSETS WITH DONOR RESTRICTIONS		
Gifts and pledges, net	1,679,138	1,104,077
Increase (decrease) in reinvested gains	(1,255,771)	4,817,896
Change in value of split-interest agreements, net	(63,311)	122,553
Net assets released to operations	(321,244)	(370,724)
Capital and other gifts released to net assets without donor restrictions	(71,100)	(71,698)
Transfer from net assets without donor restrictions, net	70,233	75,080
Other	(3,904)	(1,134)
NET CHANGE IN NET ASSETS WITH DONOR RESTRICTIONS	**34,041**	**5,676,050**
NET CHANGE IN TOTAL NET ASSETS	**101,011**	**12,221,599**
Total net assets, beginning of year	59,394,458	47,172,859
TOTAL NET ASSETS, END OF YEAR	**$59,495,469**	**$59,394,458**

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the years ended August 31, 2022 and 2021 (in thousands of dollars)

	2022	2021
CASH FLOW FROM OPERATING ACTIVITIES		
Change in net assets	$ 101,011	$ 12,221,599
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	852,123	866,675
Amortization of bond premiums, discounts and other	28,637	19,569
Net losses (gains) on investments	884,229	(12,230,714)
Change in fair value of interest rate swaps	(161,455)	(78,195)
Change in split-interest agreements	(28,173)	158,814
Change in deferred tax asset and liability	(23,182)	129,127
Investment income (expense) for restricted purposes	(48,573)	99,098
Gifts restricted for long-term investments	(756,085)	(863,431)
Gifts of securities and properties	(22,698)	(30,509)
Gain on extinguishment of debt	(6,947)	—
Other	31,040	33,740
Premiums received from bond issuance	—	96,831
Changes in operating assets and liabilities:		
Accounts receivable	(242,890)	(245,004)
Pledges receivable, net	(345,886)	(15,298)
Prepaid expenses and other assets	(88,117)	(63,056)
Accounts payable and accrued expenses	213,018	(98,896)
Accrued pension and postretirement benefit obligations	(67,355)	(90,028)
Lease liabilities	(43,160)	(38,247)
Deferred income and other obligations	(33,402)	259,373
NET CASH PROVIDED BY OPERATING ACTIVITIES	**242,135**	**131,448**
CASH FLOW FROM INVESTING ACTIVITIES		
Additions to plant facilities, net	(925,020)	(790,859)
Student, faculty and other loans:		
New loans made	(179,632)	(178,342)
Principal collected	77,393	105,835
Purchases of investments	(17,466,423)	(20,316,653)
Sales and maturities of investments	18,336,816	18,387,854
Change associated with short term investments	111,202	437,983
Swap settlement payments, net	(19,811)	(21,420)
NET CASH USED FOR INVESTING ACTIVITIES	**(65,475)**	**(2,375,602)**
CASH FLOW FROM FINANCING ACTIVITIES		
Gifts and reinvested income for restricted purposes	627,369	548,843
Proceeds from borrowing	268,547	1,027,471
Repayment of notes and bonds payable	(263,377)	(1,012,887)
Bond issuance costs and interest rate swaps	(2,225)	(5,412)
Contributions received for split-interest agreements	17,676	19,709
Payments made under split-interest agreements	(57,515)	(51,186)
Securities lending collateral sold, net	(7,696)	9,393
Other	(5,269)	(4,907)
NET CASH PROVIDED BY FINANCING ACTIVITIES	**577,510**	**531,024**
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**754,170**	**(1,713,130)**
Cash and cash equivalents, beginning of year	1,865,725	3,578,855
CASH AND CASH EQUIVALENTS, END OF YEAR	**$ 2,619,895**	**$ 1,865,725**
SUPPLEMENTAL DATA:		
Cash and cash equivalents as shown in the *Statements of Financial Position*	$ 2,346,372	$ 1,672,789
Restricted cash and cash equivalents included in assets limited as to use	81,946	117,179
Restricted cash included in other assets	12,382	28,432
Cash and restricted cash included in investments	179,195	47,325
TOTAL CASH AND CASH EQUIVALENTS AS SHOWN ON THE CONSOLIDATED STATEMENTS OF CASH FLOWS	**$ 2,619,895**	**$ 1,865,725**
Interest paid, net of capitalized interest	$ 286,217	$ 294,161
Change in payables for plant facilities	$ 25,300	$ (27,908)
Right-of-use assets obtained in exchange for lease liabilities	$ 172,836	$ 66,534

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

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. Basis of Presentation and Significant Accounting Policies

BASIS OF PRESENTATION

The *Consolidated Financial Statements* include the accounts of The Leland Stanford Junior University ("Stanford University" or the "University"), Stanford Health Care (SHC), Lucile Salter Packard Children's Hospital at Stanford (LPCH) and other majority-owned or controlled entities of the University, SHC and LPCH. Collectively, all of these entities are referred to as "Stanford". All significant inter-entity transactions and balances have been eliminated in consolidation. Certain prior year amounts have been reclassified to conform to the current year's presentation. These reclassifications had no impact on total net assets or the change in total net assets.

University

The University is a private, not-for-profit educational institution, founded in 1885 by Senator Leland and Mrs. Jane Stanford in memory of their son, Leland Stanford Jr. A Board of Trustees (the "Board") governs the University. The University information presented in the *Consolidated Financial Statements* comprises all of the accounts of the University, including its institutes and research centers, and the Stanford Management Company.

SLAC National Accelerator Laboratory (SLAC) is a federally funded research and development center owned by the U.S. Department of Energy (DOE). The University manages and operates SLAC for the DOE under a management and operating contract; accordingly, the revenues and expenditures of SLAC are included in the *Consolidated Statements of Activities*, but SLAC's DOE funded assets and liabilities are not included in the *Consolidated Statements of Financial Position*. SLAC employees are University employees and participate in the University's employee benefit programs. The University holds some receivables from the DOE substantially related to reimbursement for employee compensation and benefits.

Hospitals

SHC and LPCH (the "Hospitals") are California not-for-profit public benefit corporations, each governed by a separate Board of Directors. The University is the sole member of each of these entities. SHC and LPCH support the mission of medical education and clinical research of the University's School of Medicine (SOM). Collectively, the SOM and Hospitals comprise Stanford Medicine. SHC and LPCH operate two licensed acute care and specialty hospitals on the Stanford campus, a leading community acute care hospital, and numerous physician clinics on the campus, in community settings and in association with regional hospitals in the San Francisco Bay Area and elsewhere in California. The University has partnered with SHC and LPCH, respectively, to establish physician medical foundations to support Stanford Medicine's mission of delivering quality care to the community and conducting research and education.

TAX STATUS

The University, SHC and LPCH are exempt from federal and state income taxes to the extent provided by Section 501(c)(3) of the Internal Revenue Code and equivalent state provisions, except with regard to unrelated business income which is taxable at corporate income tax rates.

In accordance with the guidance on accounting for uncertainty in income taxes, management regularly evaluates its tax positions and does not believe the University, SHC or LPCH have any uncertain tax positions that require disclosure in or adjustment to the *Consolidated Financial Statements*. The University, SHC and LPCH are subject to routine audits by taxing jurisdictions. Management of each of the consolidated entities believes they are no longer subject to income tax examinations for fiscal years prior to August 31, 2018.

BASIS OF ACCOUNTING

The *Consolidated Financial Statements* are prepared in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP"). These principles require management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the *Consolidated Financial Statements* and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

For financial reporting purposes, net assets and revenues, expenses, gains and losses are classified into one of two categories - net assets without donor restrictions and net assets with donor restrictions based on the existence or absence of legal or donor-imposed restrictions (see *Note 10*).

Net assets without donor restrictions are expendable resources which are not subject to donor-imposed restrictions. These net assets may be designated by Stanford for specific purposes under internal operating and administrative arrangements or be subject to contractual agreements with external parties (see *Note 10*).

Net assets with donor restrictions include gifts, pledges and split-interest agreements (a) which by donor stipulation must be made available in perpetuity for investment or specific purposes, or (b) for which legal or donor-imposed restrictions have not yet been met. Such restrictions include purpose restrictions where donors have specified the purpose for which the net assets are to be spent, or time restrictions imposed by donors, or appreciation and income on certain donor-restricted endowment funds that have not yet been appropriated for spending (see Note 11).

Gifts and pledges subject to donor-imposed restrictions for specific purposes are recorded as net assets with donor restrictions and reclassified to net assets without donor restrictions upon expiration of time and purpose restrictions. Donor-restricted resources intended for capital projects are initially recorded as "Net assets with donor restrictions" and then released and reclassified as "Net assets without donor restrictions" when the asset is placed in service. Contributions with donor restrictions that are received and expended or deemed expended, based on the nature of donors' restrictions, in the same fiscal year are recorded as "Net assets without donor restrictions".

Transfers from net assets without donor restrictions to net assets with donor restrictions are primarily the result of donor redesignations or matching funds that are added to donor gift funds which then take on the same restrictions as the donor gift.

The operating activities of Stanford include the revenues earned and expenses incurred in the current year to support education, research, and health care. The non-operating activities of Stanford include increases in reinvested gains, current year gifts not included in operations, capital and other gifts released from restrictions, pension and other postemployment benefit related changes other than service cost, and certain other non-operating activities. All expenses are recorded as a reduction of net assets without donor restrictions with the exception of investment expenses that are required to be netted against investment returns.

CASH AND CASH EQUIVALENTS

"Cash and cash equivalents" included in the *Consolidated Statements of Financial Position* primarily consist of U.S. Treasury bills, certificates of deposit, repurchase agreements, money market funds and all other short-term investments available for current operations with original maturities of 90 days or less at the time of purchase. These amounts are carried at amortized cost, which approximates fair value. Cash and cash equivalents that are held for investment purposes are classified as investments (see *Note 6*). The University has elected the policy to treat cash equivalents held for investment as short-term investments, and are therefore excluded from "Cash and cash equivalents" on the *Consolidated Statements of Cash Flows.*

ASSETS LIMITED AS TO USE

Assets limited as to use consist of deferred compensation plan assets and tax-exempt bond proceeds as described below:

Deferred compensation plan assets

The University's custodians hold 457(b) non-qualified deferred compensation plan assets under a grantor trust which requires that they be used to satisfy plan obligations to participants and beneficiaries unless the University becomes insolvent. The funds are primarily invested in mutual funds, at the participants' discretion, which are valued based on quoted market prices (and exchange rates, if applicable) on the last trading date of the principal market on or before August 31.

Tax-exempt bond proceeds

The proceeds of tax-exempt bonds issued for the benefit of the University and trustee-held accounts holding proceeds of tax-exempt bonds issued for the benefit of SHC and LPCH are limited by the terms of indentures to use for qualified capital projects. The assets consist of cash and cash equivalents, recorded at cost, which approximates fair value.

ACCOUNTS AND LOANS RECEIVABLE

Accounts and loans receivable are carried at cost, less an allowance for doubtful accounts.

PREPAID EXPENSES

Prepaid expenses consist of amounts paid in advance for goods or services that will be received after the end of the fiscal year.

PLEDGES RECEIVABLE

Unconditional promises to give are included in the *Consolidated Financial Statements* as "Pledges receivable, net" and are classified as net assets with donor restrictions. Pledges recognized on or after September 1, 2009 are recorded at an applicable risk-adjusted discount rate commensurate with the duration of the donor's payment plan. Pledges recognized in periods prior to September 1, 2009 were recorded at a discount based on the U.S. Treasury rate. Conditional promises to give are not recorded until specified obligations or barriers, such as milestones or performance targets, are met.

INVESTMENTS

Investments are recorded at fair value. Gains and losses (realized and unrealized) on investments are recognized in the *Consolidated Statements of Activities* (see *Note 6*).

PLANT FACILITIES

Plant facilities are recorded at cost or, for donated assets, at fair value at the date of donation, except for land and improvements previously reported as "Investments" and reclassified as "Plant facilities". Such land and improvements are reported at fair value as of the date of reclassification (see *Note 8*) in accordance with interpreted accounting guidance. Interest expense for construction financing, net of income earned on unspent proceeds, is capitalized as a cost of construction. Depreciation is computed using the straight-line method over the estimated useful lives of the assets. The useful lives used in calculating depreciation for the years ended August 31, 2022 and 2021 are as follows:

Land improvements	5-25 years
Buildings and building improvements	3-50 years
Furniture, fixtures and equipment	3-20 years
Utilities	5-40 years

WORKS OF ART AND SPECIAL COLLECTIONS

Works of art, historical treasures, literary works and artifacts, which are preserved and protected for educational, research and public exhibition purposes, are not capitalized. Donations of such collections are not recorded for financial statement purposes. Purchases of collection items are recorded as operating expenses in the period in which they are acquired. Proceeds from sales of such items are used to acquire other items for the collections.

DONATED ASSETS

Donated assets, other than works of art and special collections, are recorded at fair value at the date of donation. Undeveloped land, including land acquired under the original endowment to the University from Senator Leland and Mrs. Jane Stanford, is reported at fair value as of the date of acquisition. Under the terms of the original founding grant, a significant portion of University land may not be sold.

DONOR ADVISED FUNDS

The University receives gifts from donors under donor advised fund (DAF) agreements. These funds are owned and controlled by the University and are separately identified by donor. A significant portion of the gift must be designated to the University. At August 31, 2022 and 2021, approximately $733.1 million and $772.0 million, respectively, of DAFs may be used to support other approved charities; the donors have advisory privileges with respect to the distribution of these funds.

Current year gifts under the DAF agreements are included in the *Consolidated Statements of Activities* as “Donor advised funds, net” at the full amount of the gift. Transfers of funds to other charitable organizations are included in the *Consolidated Statements of Activities* as a reduction to “Donor advised funds, net” at the time the transfer is made.

SPLIT-INTEREST AGREEMENTS

Split-interest agreements consist of arrangements with donors where Stanford has an interest in the assets and receives benefits that are shared with other beneficiaries. Stanford’s split-interest agreements with donors, for which Stanford serves as trustee, consist primarily of irrevocable charitable remainder trusts, charitable gift annuities, pooled income funds, perpetual trusts and charitable lead trusts. Assets are invested and payments are made to donors or other beneficiaries in accordance with the respective agreements. Contribution revenues are recognized at the date the agreements are established. The fair value of the estimated future payments to beneficiaries under these agreements is recorded as a liability.

The assets held under split-interest agreements, where the University is the trustee, were $1.0 billion and $1.1 billion at August 31, 2022 and 2021, respectively, and were recorded in specific investment categories. The assets held under split-interest agreements, where LPCH is the trustee, were $12.8 million and $13.1 million at August 31, 2022 and 2021, respectively, and were recorded in specific investment categories. Liabilities for the discounted present value of any income beneficiary interest are reported in “Liabilities associated with investments” in the *Consolidated Statements of Financial Position*. At August 31, 2022 and 2021, the University used discount rates of 3.8% and 1.2%, respectively, based on the Charitable Federal Midterm Rate. The LPCH discount rate used during the years ended August 31, 2022 and 2021 was 3.3% and 1.2%, respectively, determined using the T-bill rate.

Included in assets held under split-interest agreements are amounts held to meet legally mandated annuity reserves of $30.7 million and $29.8 million as of August 31, 2022 and 2021 respectively, as required by California state law.

For irrevocable split-interest agreements whose assets are held in trusts not administered by the University, Stanford recognizes the estimated fair value of its beneficial interest in the trust assets and the associated gift revenue when reported to Stanford. These split-interest agreements are recorded in the “Assets held by other trustees” category of “Investments” in the *Consolidated Statements of Financial Position* as described in *Note 6*.

During fiscal years 2022 and 2021, the discounted present value of new University gifts subject to split-interest agreements, net of any income beneficiary share, was $17.2 million and $8.0 million, respectively, and was included in net assets with donor restrictions as “Gifts and pledges, net” in the *Consolidated Statements of Activities*. Actuarial gains or losses were included in “Change in value of split-interest agreements, net” in the *Consolidated Statements of Activities*.

DEFERRED INCOME AND OTHER OBLIGATIONS

Deferred income and other obligations consist of advance payments of student tuition, student room and board, sponsored support, and support of other operating programs. Revenue is recognized as it is earned or as the associated conditions are satisfied. In addition, the University records other deferred income and obligations as described below.

Deferred Rental Income

As part of its investment portfolio, the University holds certain investment properties that it leases to third parties under non-cancellable leases. In some lease transactions with properties in the Stanford Research Park and other properties, including the Stanford Shopping Center, prepaid rent is received, recorded as deferred rental income and amortized over the term of the lease (see also the *Future Minimum Rental Income* section in *Note 6*). As of August 31, 2022 and 2021, deferred rental income was $919.3 million and $912.8 million, respectively.

457(b) Deferred Compensation Plan

The University offers a non-qualified deferred compensation plan under Internal Revenue Code 457(b) to a select group of highly compensated employees. There is no University contribution related to the plan. The University has recorded both an asset and a liability related to the plan of $316.0 million and $336.3 million as of August 31, 2022 and 2021, respectively; the assets are included in “Assets limited as to use” in the *Consolidated Statements of Financial Position*.

Repurchase Obligations

In an effort to provide affordable housing, certain residential units are offered to eligible faculty and staff under long-term restricted ground leases. These units are located on or in close proximity to Stanford’s campus. The cost of the units that are constructed or purchased by the University is included in “Plant facilities, net of accumulated depreciation” in the *Consolidated Statements of Financial Position*.

The University has the obligation to repurchase certain residential units when specified triggering events occur. As of August 31, 2022 and 2021, Stanford has recognized a net repurchase obligation of $142.3 million and $121.0 million, respectively, to repurchase its interests in these residential units, net of home mortgage financing assistance provided by the University of $222.8 million and $204.1 million, respectively (see *Note 5*). The change in the repurchase obligation and the original purchase price is recorded as interest accretion and is reflected in “Other operating expenses” in the *Consolidated Statements of Activities*. For the years ended August 31, 2022 and 2021, interest accretion was $13.3 million and $9.4 million, respectively.

Asset Retirement Obligations

Asset retirement obligations are legal obligations associated with the retirement of long-lived assets. These liabilities are initially recorded at fair value and the related asset retirement costs are capitalized at the same amount as the liability. Asset retirement costs are subsequently amortized over the useful lives of the related assets and the obligations are increased based on an appropriate discount rate. As of August 31, 2022 and 2021, the University had asset retirement obligations of $17.2 million and $15.1 million, respectively. SHC had asset retirement obligations of $111.3 million and $107.7 million, respectively.

SELF-INSURANCE

The University self-insures at varying levels for unemployment, disability, workers’ compensation, property losses, certain health care plans and general and professional liability losses. SHC and LPCH self-insure at varying levels for health care plans, workers’ compensation and, through their captive insurance company, for professional liability losses. In some cases, third-party insurance is purchased to cover liabilities in excess of self-insured retentions. Estimates of retained self-insured losses are reserved and accrued.

INTEREST RATE EXCHANGE AGREEMENTS

The University and SHC have entered into several interest rate exchange agreements to reduce the effect of interest rate fluctuation on their variable rate revenue bonds and notes. Current accounting guidance for derivatives and hedges requires entities to recognize all derivative instruments at fair value. The University and SHC do not designate and qualify their derivatives for hedge accounting; accordingly, any changes in the fair value (i.e. gains or losses) flow directly to the *Consolidated Statements of Activities* as a non-operating activity in “Swap interest and change in value of swap agreements.” The settlements (net cash payments less receipts) under the interest rate exchange agreements are also recorded in the *Consolidated Statements of Activities* in “Swap interest and change in value of swap agreements."

The University has also entered into interest rate exchange agreements to reduce the effect of interest rate fluctuations of certain investment positions (see *Note 7*).

REVENUE

Student income and financial aid

"Student income, net" reported in the *Consolidated Statements of Activities* consists of tuition, room and board, and other student fees from undergraduate and graduate students which are recognized as revenue ratably during the fiscal year in which the academic services are rendered. The University also provides financial aid in the form of scholarship and fellowship grants that cover a portion of tuition, room and board, and other student fees; this financial assistance is reflected as a reduction of student income. Student payments are due at the beginning of each academic term. Payments received for future academic terms are recorded as deferred income and totaled $13.9 million and $8.3 million for the years ended August 31, 2022 and 2021, respectively. These payments are recognized in the subsequent fiscal year. The following table presents student income, net of financial aid, for the years ended August 31, in thousands of dollars:

	2022	2021
Student income:		
Undergraduate programs	$ 445,406	$ 337,103
Graduate programs	404,204	378,240
Room and board	267,386	132,521
Student financial aid	(401,531)	(339,941)
TOTAL STUDENT INCOME, NET	**$ 715,465**	**$ 507,923**

In addition to student financial aid, the University also provided other graduate support in the form of stipends, teaching and research assistantships, and related allowances for tuition. These amounts are reflected in operating expenses.

Sponsored Support

The University conducts substantial research pursuant to contracts and grants from the federal government, state and local governments, corporations, foundations and others. Sponsored support earned from the federal government (including SLAC) is the largest segment of sponsored support. For the years ended August 31, 2022 and 2021, federal sponsored support was $1.4 billion and $1.3 billion, respectively. The Office of Naval Research is the University's cognizant federal agency for determining indirect cost rates charged to federally sponsored agreements. It is supported by the Defense Contract Audit Agency, which has the responsibility for auditing direct and indirect charges under those agreements.

The majority of sponsored support is considered contribution revenue and is recognized when any sponsor-imposed conditions have been met, typically when qualifying expenditures are incurred. Sponsored contribution revenue for both the years ended August 31, 2022 and 2021 was $1.1 billion.

Other sponsored arrangements are considered exchange transactions and revenue is recognized in accordance with the terms of each contract or grant which are primarily based on costs incurred, completion of milestones, or other obligations as specified in the contracts. For the years ended August 31, 2022 and 2021, the University recognized $144.6 million and $123.8 million in revenue from exchange contracts, respectively.

SLAC is managed and operated by the University for the DOE under a management and operating contract, which is considered to be an exchange transaction. The University operates SLAC, and the DOE is obligated to pay for allowable operating costs. The University recognizes revenue from the DOE as costs are incurred in the management and operation of SLAC per the terms of the contract. Revenue of $524.9 million and $489.9 million was recognized for the years ended August 31, 2022 and 2021, respectively.

Deferred income of $209.1 million and $180.4 million was recorded at August 31, 2022 and 2021, respectively, for payments received from sponsors that have not been earned. During the years ended August 31, 2022 and 2021, $126.0 million and $121.0 million of revenue was recognized that was included in the prior year deferred income balance, respectively. In addition, as of August 31, 2022 and 2021, the University had been awarded $1.3 billion and $1.1 billion, respectively, in sponsored support for which the conditions to recognize revenue have not been met. These are conditional contributions and are not recorded in the *Consolidated Financial Statements*.

Health Care Services

"Total health care services" is reported in the *Consolidated Statements of Activities* at the estimated net realizable amounts from patients, third-party payers, and others for services rendered (collectively, "Patient care revenue"). Estimated net realizable amounts represent amounts due, net of price concessions. Price concessions are based on management's assessment of expected net collections considering economic conditions, historical experience, trends in health care coverage and other collection indicators. SHC and LPCH derive a majority of patient care revenues from contractual agreements with Medicare, Medi-Cal and other third-party payers. Payments under these agreements and programs are based on a variety of payment models (see *Note 12*). Health care revenue is recognized as services are rendered either at a point in time or, for inpatient acute care services, over time generally from admission to discharge. Generally, patients and third-party payers are billed several days after services are performed or shortly after discharge. Substantially all health care revenue relates to contracts with customers with a duration of less than one year.

The University has entered into various operating agreements with SHC and LPCH for the professional services of School of Medicine faculty members, and for non-physician services such as telecommunications, facilities, and other services. The payments by the Hospitals to the University for professional and other services are eliminated in consolidation.

SHC and LPCH provide care to patients who meet certain criteria under their charity care policies without charge or at amounts less than their established rates. The Hospitals do not record revenue for amounts determined to qualify as charity care (see *Note 12*).

Gifts

Gifts are contributions primarily received from donors such as alumni and other private individuals, trusts, and foundations. Gifts may be designated by donors for specific purposes; accordingly, they are recognized in the period received and in the appropriate net asset category based on the presence or absence of donor restrictions on their use. Contributions designated for the acquisition of plant facilities and long-term investments are initially reported in net assets with donor restrictions.

Gifts are considered conditional if the terms of the agreement include both a requirement for Stanford to meet certain specified obligations, or barriers, such as milestones or performance targets, and a refund of amounts paid (or a release from obligation to make future payments). Conditional gifts are not recorded until the obligations or barriers are met.

Special Program Fees and Other Income

Special program fees and other income consists of several streams of income from exchange contracts. Depending on the program, revenue is recognized at a point in time or over time as obligations are met. For the years ended August 31, 2022 and 2021, other income includes $205.0 million and $399.5 million of CARES Act provider relief funding, respectively. Provider relief funding was recognized based on information contained in laws and regulations, as well as interpretations issued by the Department of Health and Human Services (see *Note 19*).

RECENT ACCOUNTING PRONOUNCEMENTS

Periodically, the Financial Accounting Standards Board (FASB) issues updates to the Accounting Standards Codification (ASC) which impact Stanford's financial reporting and related disclosures. The following paragraphs summarize relevant updates.

Contributed nonfinancial assets

ASU 2020-07, FASB Issue Date: September 2020, Effective Date: Fiscal Year 2022

The Accounting Standards Update (ASU) provides enhanced presentation and disclosure requirements for contributed nonfinancial assets for not-for-profit entities. Contributed nonfinancial assets should be presented in a separate line item in the *Statement of Activities* apart from cash contributions. Additional disclosures are required about types of contributions, policy (if any) on monetizing rather than utilizing, donor-imposed restrictions and fair value measurement of contributed nonfinancial assets. The new guidance has been adopted in fiscal year 2022 and did not have a material impact on the *Consolidated Financial Statements.*

Reference rate reform

ASU 2020-04 and 2021-01, FASB Issue Date: March 2020 and January 2021, Effective Date: All contracts as of March 12, 2020 through December 31, 2022

These ASUs provide optional expedients for applying GAAP to contracts and other transactions that reference LIBOR or other reference rates that are expected to be discontinued because of reference rate reform. The amendments also permit an entity to consider contract modifications due to reference rate reform to be an event that does not require contract remeasurement. For the year ended August 31, 2022, no impacted contracts have transitioned to other benchmark rates.

Cloud computing arrangements
ASU 2018-15, FASB Issue Date: August 2018, Effective Date: Fiscal Year 2022
The ASU requires capitalization of implementation costs incurred in a cloud computing arrangement in a manner that is consistent with the capitalization of implementation costs incurred to develop or obtain internal-use software. The new guidance has been adopted prospectively in fiscal year 2022 and did not have a material impact on the *Consolidated Financial Statements.*

Defined benefit plan disclosures
ASU 2018-14, FASB Issue Date: August 2018, Effective Date: Fiscal Year 2022
The ASU adds, removes, and clarifies disclosure requirements related to defined benefit pension and other postretirement plans. The new guidance has been adopted in fiscal year 2022 and updated disclosures are found in *Note 15 and 16* of the *Consolidated Financial Statements.*

2. Financial Assets and Liquid Resources

OVERVIEW

Stanford closely monitors its liquidity requirements and structures its financial assets to meet its short and long-term needs and contractual commitments. To meet these needs, Stanford holds investments in various pools or in specific assets with varying degrees of liquidity, as well as having an authorized short-term commercial paper program. Stanford also has access to additional short-term financing facilities such as revolving lines of credit that can be available for unexpected liquidity needs (see *Note 9*).

OPERATIONS

The University, SHC and LPCH each manage their own operating cash through short-term investment pools. The primary investment objective for these funds is to preserve the principal value of the portfolio while meeting the liquidity needs of each of the entities. Cash flows vary seasonably during the year due to a variety of factors including timing of donor contributions, the University's academic calendar and the Hospitals' patient admission cycles. For working capital purposes, cash is managed by matching the timing of inflows and outflows as closely as possible, combined with active use of cash forecasting models to manage investment timing. Operating liquidity is tracked daily and reported weekly to provide management visibility. As noted above, back up borrowing facilities are also available to meet working capital needs.

MERGED POOL

The Merged Pool (MP) is the primary investment pool for endowment and other long-term funds for the University and the Hospitals. Approximately 14% of the MP consists of liquid investments, with the balance representing investments which are generally subject to constraints which either limit Stanford's ability to withdraw such capital or limit the amounts available for withdrawal at given redemption dates. The MP further maintains sufficient liquidity to distribute the monthly endowment payout in support of University operating expenditures, and to meet unfunded commitments associated with certain alternative investments. It is not the intention of the University to utilize its financial assets without donor restrictions - including board designated endowment funds - that are invested for the long-term for unplanned operating commitments; however, amounts could be made available from these sources if necessary, except for those underlying investments with lock-up provisions (see *Note 6).*

Financial assets and liquid resources available within one year of the balance sheet date at August 31, 2022 and 2021 in thousands of dollars, are as follows:

	UNIVERSITY	SHC	LPCH	CONSOLIDATED
2022				
Financial assets:				
Cash and cash equivalents	$ 1,355,180	$ 536,803	$ 454,389	$ 2,346,372
Assets limited as to use	81,946	—	—	81,946
Accounts receivable, net	269,539	1,023,568	599,587	1,892,694
Pledges receivable available for operations	293,664	—	21,345	315,009
Investments available for current use	458,637	1,408,067	747,323	2,614,027
Endowment payout in support of operations	1,748,400	—	—	1,748,400
Financial assets available to meet cash needs for general expenditure within one year	4,207,366	2,968,438	1,822,644	8,998,448
Liquid resources available for use:				
Taxable commercial paper	469,945	—	—	469,945
Tax-exempt commercial paper	300,000	—	—	300,000
Revolving credit facilities	425,000	100,000	200,000	725,000
TOTAL FINANCIAL ASSETS AND LIQUID RESOURCES AVAILABLE WITHIN ONE YEAR	**$ 5,402,311**	**$ 3,068,438**	**$ 2,022,644**	**$ 10,493,393**
2021				
Financial assets:				
Cash and cash equivalents	$ 874,943	$ 407,044	$ 390,802	$ 1,672,789
Assets limited as to use	117,179	—	—	117,179
Accounts receivable, net	218,351	764,948	617,783	1,601,082
Pledges receivable available for operations	135,427	—	12,564	147,991
Investments available for current use	962,602	2,222,890	788,068	3,973,560
Endowment payout in support of operations	1,428,000	—	—	1,428,000
Financial assets available to meet cash needs for general expenditure within one year	3,736,502	3,394,882	1,809,217	8,940,601
Liquid resources available for use:				
Taxable commercial paper	500,000	—	—	500,000
Tax-exempt commercial paper	300,000	—	—	300,000
Revolving credit facilities	425,000	100,000	200,000	725,000
TOTAL FINANCIAL ASSETS AND LIQUID RESOURCES AVAILABLE WITHIN ONE YEAR	**$ 4,961,502**	**$ 3,494,882**	**$ 2,009,217**	**$ 10,465,601**

3. Accounts Receivable

Accounts receivable, net of allowances for doubtful accounts, at August 31, 2022 and 2021, in thousands of dollars, are as follows:

	UNIVERSITY	SHC	LPCH	CONSOLIDATED
2022				
U.S. government sponsors	$ 138,624	$ 1,760	$ —	$ 140,384
Non-federal sponsors and programs	65,316	3,548	—	68,864
Accrued interest on investments	25,965	—	—	25,965
Student	16,114	—	—	16,114
Patient and third-party payers	—	1,023,568	590,940	1,614,508
Other	54,931	83,037	8,647	146,615
	300,950	1,111,913	599,587	2,012,450
Less allowance for doubtful accounts	(4,812)	—	—	(4,812)
ACCOUNTS RECEIVABLE, NET	**$ 296,138**	**$ 1,111,913**	**$ 599,587**	**$ 2,007,638**
2021				
U.S. government sponsors	$ 116,338	$ 17,955	$ —	$ 134,293
Non-federal sponsors and programs	60,218	18,951	26,361	105,530
Accrued interest on investments	22,695	—	—	22,695
Student	9,466	—	—	9,466
Patient and third-party payers	—	764,948	579,760	1,344,708
Other	36,199	92,667	11,662	140,528
	244,916	894,521	617,783	1,757,220
Less allowance for doubtful accounts	(3,210)	—	—	(3,210)
ACCOUNTS RECEIVABLE, NET	**$ 241,706**	**$ 894,521**	**$ 617,783**	**$ 1,754,010**

4. Pledges Receivable

Pledges are recorded at discounted rates ranging from 0.6% to 5.7%. At August 31, 2022 and 2021, pledges receivable, net of discounts and allowances, in thousands of dollars, are as follows:

	UNIVERSITY	SHC	LPCH	ELIMINATIONS	CONSOLIDATED
2022					
One year or less	$ 652,373	$ 29,346	$ 138,364	$ (54,141)	$ 765,942
Between one year and five years	1,180,469	13,695	94,257	(18,653)	1,269,768
More than five years	325,449	2,250	25,020	(200)	352,519
	2,158,291	45,291	257,641	(72,994)	2,388,229
Less discounts and allowances	(171,411)	(3,414)	(11,668)	—	(186,493)
PLEDGES RECEIVABLE, NET	**$ 1,986,880**	**$ 41,877**	**$ 245,973**	**$ (72,994)**	**$ 2,201,736**
2021					
One year or less	$ 281,562	$ 29,398	$ 79,879	$ (19,030)	$ 371,809
Between one year and five years	1,121,211	19,755	58,269	(27,688)	1,171,547
More than five years	272,670	4,000	25,237	(5,027)	296,880
	1,675,443	53,153	163,385	(51,745)	1,840,236
Less discounts and allowances	(125,129)	(4,293)	(10,289)	—	(139,711)
PLEDGES RECEIVABLE, NET	**$ 1,550,314**	**$ 48,860**	**$ 153,096**	**$ (51,745)**	**$ 1,700,525**

During fiscal year 2022, John and Ann Doerr pledged $1.1 billion to support the new Stanford Doerr School of Sustainability. The gift will be recorded in the financial statements as milestones in establishing the school are completed. In fiscal year 2022, $99.6 million of the gift was recorded. The University had total conditional pledges of approximately $1.0 billion and $7.8 million at August 31, 2022 and 2021, respectively, which are subject to specified future events. SHC and LPCH had no conditional pledges at August 31, 2022 and 2021.

Lucile Packard Foundation for Children's Health (LPFCH) is the primary community fundraising agent for LPCH and the pediatric faculty and programs at the University's SOM. Pledges received by LPFCH on behalf of the University are recorded by the University as beneficial interest in LPFCH. At August 31, 2022 and 2021 the University held $73.0 million and $51.7 million, respectively, of beneficial interest in LPFCH, which is included in "Pledges receivable, net", and eliminated in consolidation.

5. Loans Receivable

Loans receivable consist primarily of University student loans receivable and faculty and staff mortgages. University management regularly assesses the adequacy of the allowance for credit losses of its loans by performing ongoing evaluations considering the differing economic risks associated with each loan category, the financial condition of specific borrowers, the economic environment in which the borrowers operate, the level of delinquent loans and the value of any collateral.

STUDENT LOANS RECEIVABLE

Student loans receivable consist of institutional and federally-sponsored loans due from both current and former students. Student loans and allowance for student loan losses at August 31, 2022 and 2021, in thousands of dollars, are as follows:

	2022	2021
Institutional loans	$ 29,774	$ 29,593
Federally-sponsored loans	9,459	13,804
	39,233	43,397
Less allowance for student loan losses	(1,709)	(698)
STUDENT LOANS RECEIVABLE, NET	**$ 37,524**	**$ 42,699**

Institutional loans are funded by donor funds restricted for student loan purposes and University funds made available to meet demand for student loan borrowing in specific situations.

Federally-sponsored loans are funded by advances to the University primarily under the Federal Perkins Loan Program (the “Program”). During the years ended August 31, 2022 and 2021, the University returned $4.6 million and $6.2 million of Program funds to the U.S. Department of Education, respectively. Loans to students under the Program are subject to mandatory interest rates and significant restrictions and can be assigned to the federal government in certain non-repayment situations. In these situations, the federal portion of the loan balance is guaranteed.

Amounts received under the Program are ultimately refundable to the federal government in the event the University no longer participates in the Program, and accordingly, have been reported as an obligation in the *Consolidated Statements of Financial Position* within "Accounts payable and accrued expenses.” The Program expired in September 2017 and the University is no longer issuing new loans under the Program.

FACULTY AND STAFF MORTGAGES

In a program to attract and retain excellent faculty and senior staff, the University provides home mortgage financing assistance, primarily in the form of subordinated loans. The loans and mortgages are collateralized by deeds of trust on properties concentrated in the region surrounding the University. Notes receivable amounting to $969.3 million and $877.4 million at August 31, 2022 and 2021, respectively, from University faculty and staff are included in “Faculty and staff mortgages and other loans receivable, net” in the *Consolidated Statements of Financial Position*. Management has determined that no allowance is necessary.

The August 31, 2022 and 2021 amounts are net of the University’s recorded obligation to repurchase certain residential units sold under long-term restricted ground leases of $222.8 million and $204.1 million, respectively. See the *Repurchase Obligations* section of *Note 1*.

6. Investments

Investments are measured and recorded at fair value. The valuation methodology, investment categories, fair value hierarchy, certain investment activities and related commitments for fiscal years 2022 and 2021 are presented below. Investments held by Stanford at August 31, 2022 and 2021, in thousands of dollars, are as follows:

	UNIVERSITY	SHC	LPCH	ELIMINATIONS	CONSOLIDATED
2022					
Investment assets:					
Cash and short-term investments	$ 1,770,226	$ 67,850	$ 5,247	$ —	$ 1,843,323
Collateral held for securities loaned	2,151	—	—	—	2,151
Public equities	9,683,129	1,061,767	50,515	—	10,795,411
Derivatives	(8,968)	—	—	—	(8,968)
Fixed income	2,421,961	744,330	101,994	—	3,268,285
Real estate	10,032,000	—	8,134	—	10,040,134
Natural resources	1,497,476	—	7,268	—	1,504,744
Private equities	16,830,775	—	41,768	—	16,872,543
Absolute return	6,703,158	—	23,164	—	6,726,322
Assets held by other trustees	126,994	—	15,942	—	142,936
Other	960,190	33,341	—	—	993,531
Total	50,019,092	1,907,288	254,032	—	52,180,412
Hospitals' funds invested in the University's investment pools	(3,545,292)	2,496,403	1,041,464	7,425	—
INVESTMENTS AT FAIR VALUE	**$46,473,800**	**$ 4,403,691**	**$ 1,295,496**	**$ 7,425**	**$ 52,180,412**
Investment liabilities:					
Income beneficiary share of split interest agreements[1]	$ 662,634	$ —	$ —	$ —	$ 662,634
Net investment income excise tax	196,516	—	—	—	196,516
Securities lending[2]	2,151	—	—	—	2,151
Accrued management fees	2,445	—	—	—	2,445
LIABILITIES ASSOCIATED WITH INVESTMENTS	**$ 863,746**	**$ —**	**$ —**	**$ —**	**$ 863,746**

[1] See split-interest agreements section in Note 1

[2] Investments at fair value include $2.1 million of securities pledged or on loan.

	UNIVERSITY	SHC	LPCH	ELIMINATIONS	CONSOLIDATED
2021					
Investment assets:					
Cash and short-term investments	$ 717,827	$ 67,096	$ 3,215	$ —	$ 788,138
Collateral held for securities loaned	9,847	—	—	—	9,847
Public equities	11,361,826	1,211,571	67,336	—	12,640,733
Derivatives	(5,464)	—	—	—	(5,464)
Fixed income	4,222,821	841,098	99,464	—	5,163,383
Real estate	9,101,686	—	10,270	—	9,111,956
Natural resources	1,685,968	—	6,543	—	1,692,511
Private equities	16,913,363	—	43,086	—	16,956,449
Absolute return	6,758,761	—	26,232	—	6,784,993
Assets held by other trustees	149,531	—	19,650	—	169,181
Other	706,970	20,848	—	—	727,818
Total	51,623,136	2,140,613	275,796	—	54,039,545
Hospitals' funds invested in the University's investment pools	(3,622,055)	2,522,127	1,092,536	7,392	—
INVESTMENTS AT FAIR VALUE	**$48,001,081**	**$ 4,662,740**	**$ 1,368,332**	**$ 7,392**	**$ 54,039,545**
Investment liabilities:					
Income beneficiary share of split interest agreements[1]	$ 728,530	$ —	$ —	$ —	$ 728,530
Net investment income excise tax	233,057	—	—	—	233,057
Securities lending[2]	9,847	—	—	—	9,847
Securities sold, not yet purchased	—	—	—	—	—
Accrued management fees	3,322	—	—	—	3,322
LIABILITIES ASSOCIATED WITH INVESTMENTS	**$ 974,756**	**$ —**	**$ —**	**$ —**	**$ 974,756**

[1] *See split-interest agreements section in Note 1*

[2] *Investments at fair value include $9.4 million of securities pledged or on loan.*

VALUATION METHODOLOGY

To the extent available, Stanford's investments are recorded at fair value based on quoted prices in active markets on a trade-date basis. Stanford's investments that are listed on any U.S. or non-U.S. recognized exchanges are valued based on readily available market quotations. When such inputs do not exist, fair value measurements are based on the best available information and usually require a degree of judgment. For alternative investments, which are principally interests in limited partnerships or similar investments in private equity, real estate, natural resources, public equities and absolute return funds, the value is primarily based on the Net Asset Value (NAV) of the underlying investments as a practical expedient. The NAV is reported by external investment managers in accordance with their policies as described in their respective financial statements and offering memoranda. The most recent NAV reported is adjusted for any investment-related transactions such as capital calls or distributions and significant known valuation changes of its related portfolio through August 31, 2022 and 2021, respectively. These investments are generally less liquid than other investments, and the value reported may differ from the values that would have been reported had a ready market for these investments existed.

The University exercises due diligence in assessing the policies, procedures, and controls implemented by its external investment managers and believes its proportionate share of the carrying amount of these alternative investments is a reasonable estimate of fair value. Such due diligence procedures include, but are not limited to, ongoing communication, on-site visits, and review of information from external investment managers as well as review of performance. In conjunction with these procedures, estimated fair value is determined by consideration of a range of factors, such as market conditions, redemption terms and restrictions, and risks inherent in the inputs of the external investment managers' valuations.

For certain alternative investments which are direct investments, Stanford considers various factors to estimate fair value, such as, but not limited to, the timing of the transaction, the market in which the company operates, comparable transactions, company performance and projections, as well as discounted cash flow analysis. The selection of an appropriate valuation technique may be affected by the availability and general reliability of relevant inputs. In some cases, one valuation technique may provide the best indication of fair value while in other circumstances, multiple valuation techniques may be appropriate. Furthermore, Stanford may review the investment's underlying portfolio as well as engage external appraisers, depending on the circumstances and the nature of the investment.

The investment portfolio may be exposed to various risks, including, but not limited to, interest rate, market, sovereign, geographic, counterparty, liquidity and credit risk. Stanford management regularly assesses these risks through established policies and procedures. Fair value reporting requires management to make estimates and assumptions about the effects of matters that are inherently uncertain. Actual results could differ from these estimates and such differences could have a material impact on the *Consolidated Financial Statements*.

INVESTMENT CATEGORIES

Investments are categorized by asset class and valued as described below:

Cash and short-term investments include cash, cash equivalents, mutual funds, and fixed income investments with original maturities of less than one year (see also *Note 1*). Cash equivalents such as money market funds and overnight repurchase agreements are carried at cost. Fixed income investments such as short-term U.S. Treasury bills are carried at amortized cost. Due to the short-term nature and liquidity of these financial instruments, the carrying values of these assets approximates fair value. Cash may include collateral provided to or received from counterparties associated with investment-related derivative contracts (see *Note 7*).

Collateral held for securities loaned is generally received in the form of cash and cash equivalents and is reinvested for income in cash equivalent vehicles. These investments are recorded at fair value.

Public equities are investments valued based on quoted market prices (and exchange rates, if applicable) on the last trading date of the principal market on or before August 31. They include investments that are directly held as well as commingled funds which invest in publicly traded equities. The fair values of public equities held through alternative investments are reported by the respective external investment managers using NAV as described in the *Valuation Methodology* section above.

Derivatives are used by Stanford to manage its exposure to certain risks relating to ongoing business and investment operations. Derivatives may include swaps and forward currency contracts which are reflected at fair value by using quantitative models that utilize multiple market inputs. The market inputs are actively quoted and can be validated through external sources, including market transactions, brokers and third party pricing sources.

Fixed income investments are valued by independent pricing sources, broker dealers or pricing models that factor in, where applicable, recently executed transactions, interest rates, bond or credit default spreads and volatility. They primarily include investments that are actively traded fixed income securities or mutual funds.

Real estate represents directly owned real estate, mutual funds, interests in long-term ground leases and other real estate interests held through limited partnerships. A significant portion of the fair value of real estate directly owned by Stanford and subject to long-term ground leases, including the Stanford Shopping Center and the Stanford Research Park, is based on independent appraisals that use discounted cash flows and market data, if available. The fair value of alternative investments in real estate held through limited partnerships is based on the NAV reported by the external investment managers and is adjusted as described in the *Valuation Methodology* section above. The fair value of real estate held through commingled and mutual funds are based on quoted market prices.

Natural resources represent commodity and energy related investments held through both public and non-public investments. Public securities are valued based on quoted market prices (and exchange rates, if applicable) on the last trading day of the principal market on or before August 31. The fair value of direct non-public investments is based on a combination of models, including appraisals, discounted cash flows and commodity price factors. The fair value of natural resources held as alternative investments is based on the NAV reported by the external investment managers and is adjusted as described in the *Valuation Methodology* section above.

Private equities are investments primarily in venture capital, growth equity, and leveraged buyout strategies. Distributions from these investments are received in the form of either cash or distributed shares, which are typically valued using quoted market prices.

The fair value of alternative investments is based on the NAV reported by the external investment managers and is adjusted as described in the *Valuation Methodology* section above.

Absolute return investments are typically commingled funds that employ multiple strategies to produce positive returns which may be uncorrelated to financial market activities. The fair value of these types of alternative investments is valued based on the NAV reported by the external investment managers and is adjusted as described in the *Valuation Methodology* section above.

Assets held by other trustees generally represent Stanford's residual (or beneficial) interest in split-interest agreements where the University, SHC or LPCH is not the trustee. The residual interest represents the present value of the future distributions expected to be received over the term of the agreement, which approximates fair value.

Other investments are typically non-public investments such as preferred stocks, convertible notes and mineral rights. The fair value of these types of direct investments is determined as described in the *Valuation Methodology* section above.

LIABILITIES ASSOCIATED WITH INVESTMENTS

Income beneficiary share of split interest agreements - See the *Split–Interest Agreements* section of *Note 1*.

Net investment income excise tax - Under the Tax Cuts and Jobs Act, the University is subject to a 1.4% excise tax on its net investment income as defined under the Internal Revenue Code which, among other things, includes net investment income of certain related entities such as the Hospitals. The University has recorded current and deferred tax liabilities based on reasonable estimates.

Securities lending - The University has a collateralized borrowing program in which it receives short-term U.S. government obligations or cash and cash equivalents in exchange for transferring securities as collateral to the counterparty and recognizes an obligation to reacquire the securities for cash at the transaction's maturity. It is the University's policy to require receipt of collateral equal to a minimum of 102% of the fair market value of these collateralized borrowings. In the event the counterparty was to default on its obligations, The University has the right to repurchase the securities in the open market using the collateral received.

Under the securities lending agreement, securities loaned are primarily public equities, corporate bonds or U.S. Treasury bills and the agreement continues until the security is delivered back to the University. The estimated fair value of securities loaned at August 31, 2022 and 2021 was $2.1 million and $9.4 million, respectively. The University received on loan publicly traded equities of $2.2 million and $9.8 million at August 31, 2022 and 2021, respectively.

Securities sold, not yet purchased are obligations to acquire and deliver to the lenders the publicly traded securities identical to the ones borrowed. A realized gain or loss is recognized for the difference between the proceeds and the cost of such securities at that time.

Accrued management fees are obligations related to management and performance fees due quarterly or annually to external investment managers in accordance with agreed-upon terms.

Pending trades of securities are obligations arising from trades of securities purchased but not settled. These are usually settled three business days after the trade date.

FAIR VALUE HIERARCHY

U.S. GAAP defines fair value as the price received upon sale of an asset or paid upon transfer of a liability in an orderly transaction between market participants. Current guidance establishes a hierarchy of valuation inputs based on the extent to which the inputs are observable in the marketplace. Inputs are used in applying the various valuation techniques and take into account the assumptions that market participants use to make valuation decisions. Inputs may include price information, credit data, liquidity statistics, and other factors specific to the financial instrument. Observable inputs reflect market data obtained from independent sources. In contrast, unobservable inputs reflect the entity's assumptions about how market participants would value the financial instrument. Valuation techniques used under U.S. GAAP must maximize the use of observable inputs to the extent available.

A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. The following describes the hierarchy of inputs used to measure fair value and the primary valuation methodologies used for financial instruments measured at fair value on a recurring basis:

Level 1 - Investments whose values are based on quoted market prices in active markets for identical assets or liabilities are classified as Level 1. Level 1 investments include active listed equities and certain short term fixed income securities. Such investments are valued based upon the closing price quoted on the last trading date on or before the reporting date on the principal market, without adjustment.

Level 2 - Investments that trade in markets that are not actively traded, but are valued based on quoted market prices, dealer quotations, or alternative pricing sources for similar assets or liabilities are classified as Level 2. These investments include certain U.S. government and sovereign obligations, government agency obligations, investment grade corporate bonds and certain limited marketable securities.

Privately negotiated over-the-counter (OTC) derivatives such as forward currency contracts, total return swaps, and interest rate swaps are typically classified as Level 2 (see *Note 7*). In instances where quotations received from counterparties or valuation models are used, the value of an OTC derivative depends upon the contractual terms of the instrument as well as the availability and reliability of observable inputs. Such inputs include market prices for reference securities, yield curves, or credit curves.

Level 3 - Investments classified as Level 3 have significant unobservable inputs, as they trade infrequently or not at all. The inputs into the determination of fair value of these investments are based upon the best information available and may require significant management judgment. These investments primarily consist of Stanford's direct real estate and alternative investments.

The following tables summarize Stanford's investment assets and liabilities within the fair value hierarchy and asset categories at August 31, 2022 and 2021, in thousands of dollars:

	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
2022				
Investment assets:				
Cash and short-term investments	$ 241,942	$ 1,593,325	$ —	$ 1,835,267
Collateral held for securities loaned	—	2,151	—	2,151
Public equities	3,139,972	4,111	—	3,144,083
Derivatives	—	(8,968)	—	(8,968)
Fixed income	1,009,556	2,252,463	—	3,262,019
Real estate	218,614	—	7,721,395	7,940,009
Natural resources	5,337	—	67,375	72,712
Private equities	96,951	125	12,589	109,665
Absolute return	—	—	24,616	24,616
Assets held by other trustees	—	—	142,936	142,936
Other	15,068	5,055	958,653	978,776
INVESTMENTS SUBJECT TO FAIR VALUE LEVELING	**$ 4,727,440**	**$ 3,848,262**	**$ 8,927,564**	**17,503,266**
Investments measured using Net Asset Value[1]				34,677,146
TOTAL CONSOLIDATED INVESTMENT ASSETS				**$ 52,180,412**
Investment liabilities:				
Income beneficiary share of split interest agreements	$ —	$ 662,634	$ —	$ 662,634
Net investment income excise tax	196,516	—	—	196,516
Securities lending	—	2,151	—	2,151
Accrued management fees	2,445	—	—	2,445
LIABILITIES ASSOCIATED WITH INVESTMENTS	**$ 198,961**	**$ 664,785**	**$ —**	**$ 863,746**

[1] *Entities may estimate the fair value of certain investments by using NAV as a practical expedient as of the measurement date. Investments measured under this method are not categorized in the fair value hierarchy. The fair value amounts of such investments are presented for reconciliation purposes.*

	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
2021				
Investment assets:				
Cash and short-term investments	$ 100,821	$ 680,224	$ —	$ 781,045
Collateral held for securities loaned	—	9,847	—	9,847
Public equities	3,759,859	7,028	—	3,766,887
Derivatives	—	(5,464)	—	(5,464)
Fixed income	1,198,382	3,962,700	—	5,161,082
Real estate	256,286	—	6,985,383	7,241,669
Natural resources	155,430	—	125,178	280,608
Private equities	484,310	146	7,289	491,745
Absolute return	—	—	16,662	16,662
Assets held by other trustees	—	—	169,182	169,182
Other	13,161	12,179	688,743	714,083
INVESTMENTS SUBJECT TO FAIR VALUE LEVELING	**$ 5,968,249**	**$ 4,666,660**	**$ 7,992,437**	**18,627,346**
Investments measured using Net Asset Value[1]				35,412,199
TOTAL CONSOLIDATED INVESTMENT ASSETS				**$ 54,039,545**
Investment liabilities:				
Income beneficiary share of split interest agreements	$ —	$ 728,530	$ —	$ 728,530
Net investment income excise tax	233,057	—	—	233,057
Securities lending	—	9,847	—	9,847
Accrued management fees	3,322	—	—	3,322
LIABILITIES ASSOCIATED WITH INVESTMENTS	**$ 236,379**	**$ 738,377**	**$ —**	**$ 974,756**

[1] *Entities may estimate the fair value of certain investments by using NAV as a practical expedient as of the measurement date. Investments measured under this method are not categorized in the fair value hierarchy. The fair value amounts of such investments are presented for reconciliation purposes.*

SUMMARY OF LEVEL 3 INVESTMENT ACTIVITIES AND TRANSFERS

The following tables present the activities for Level 3 investments for the years ended August 31, 2022 and 2021, in thousands of dollars:

FAIR VALUE MEASUREMENTS USING SIGNIFICANT UNOBSERVABLE INPUTS (LEVEL 3)	BEGINNING BALANCE AS OF SEPTEMBER 1, 2021	PURCHASES AND ADDITIONS	SALES AND MATURITIES	NET REALIZED AND UNREALIZED GAINS (LOSSES)	TRANSFERS IN*	TRANSFERS OUT*	ENDING BALANCE AS OF AUGUST 31, 2022
Real estate	$ 6,985,383	$ 46,387	$ (12,523)	$ 896,655	$ —	$ (194,507)	$ 7,721,395
Natural resources	125,178	—	(113,811)	56,008	—	—	67,375
Private equities	7,289	8,800	—	(3,392)	—	(108)	12,589
Absolute return	16,662	—	(1,393)	9,347	—	—	24,616
Assets held by other trustees	169,182	7,230	(4,033)	(27,610)	751	(2,584)	142,936
Other	688,743	42,126	(40,347)	269,858	—	(1,727)	958,653
TOTAL	**$ 7,992,437**	**$ 104,543**	**$ (172,107)**	**$ 1,200,866**	**$ 751**	**$ (198,926)**	**$ 8,927,564**

FAIR VALUE MEASUREMENTS USING SIGNIFICANT UNOBSERVABLE INPUTS (LEVEL 3)	BEGINNING BALANCE AS OF SEPTEMBER 1, 2020	PURCHASES AND ADDITIONS	SALES AND MATURITIES	NET REALIZED AND UNREALIZED GAINS (LOSSES)	TRANSFERS IN*	TRANSFERS OUT*	ENDING BALANCE AS OF AUGUST 31, 2021
Real estate	$ 6,796,817	$ 124,463	$ (6,502)	$ 70,605	$ —	$ —	$ 6,985,383
Natural resources	108,561	1,561	(29,456)	44,512	—	—	125,178
Private equities	539	175	—	6,575	—	—	7,289
Absolute return	22,293	—	—	(5,631)	—	—	16,662
Assets held by other trustees	143,238	1,129	(1,332)	26,024	123	—	169,182
Other	731,284	31,973	(77,180)	45,150	—	(42,484)	688,743
TOTAL	**$ 7,802,732**	**$ 159,301**	**$ (114,470)**	**$ 187,235**	**$ 123**	**$ (42,484)**	**$ 7,992,437**

**Transfers in (out) are primarily due to reclassification of investments between asset classes and changes in the fair value hierarchy.*

Net realized and unrealized gains (losses) in the tables above are included in the *Consolidated Statements of Activities* primarily as increases or decreases in reinvested gains by level of restriction. For the years ended August 31, 2022 and 2021, the change in unrealized gains (losses) for Level 3 investments still held at August 31, 2022 and 2021 was $1.2 billion and $231.8 million, respectively.

LEVEL 3 INVESTMENT VALUATION TECHNIQUES AND SIGNIFICANT UNOBSERVABLE INPUTS

The following table summarizes the significant unobservable inputs and valuation methodologies for Level 3 investments as of August 31, 2022 and 2021, in thousands of dollars.

For each investment category and respective valuation technique, the range of the significant unobservable input is dependent on the nature and characteristics of the investment and may vary at each balance sheet date.

INVESTMENT CATEGORIES	FAIR VALUE[1]	VALUATION TECHNIQUE	SIGNIFICANT UNOBSERVABLE INPUTS	RANGE MIN	RANGE MAX	WEIGHTED AVERAGE	IMPACT TO VALUATION FROM AN INCREASE IN INPUT[2]
2022							
Real estate	$ 6,807,660	Discounted cash flow	Discount rate	5.8 %	20.0 %	7.1%	Decrease
			Capitalization rate	5.5 %	8.3 %	6.3%	Decrease
Assets held by other trustees	126,994	Net present value	Discount rate	3.8 %	3.8 %	N/A	Decrease
Other	936,789	Market comparables	Recent transactions	N/A	N/A	N/A	N/A
TOTAL AMOUNT WITH SIGNIFICANT UNOBSERVABLE INPUTS	**$ 7,871,443**						
2021							
Real estate	$ 6,073,613	Discounted cash flow	Discount rate	4.7 %	20.0 %	7.2%	Decrease
			Capitalization rate	5.5 %	8.0 %	6.1%	Decrease
Assets held by other trustees	149,532	Net present value	Discount rate	1.2 %	1.2 %	N/A	Decrease
Other	691,366	Market comparables	Recent transactions	N/A	N/A	N/A	N/A
TOTAL AMOUNT WITH SIGNIFICANT UNOBSERVABLE INPUTS	**$ 6,914.511**						

[1] $1.0 billion of Level 3 investments at both August 31, 2022 and 2021 are valued using third-party valuations, other market comparables or recent transactions as an approximation of fair value.

[2] Unless otherwise noted, this column represents the directional change in the fair value of the Level 3 investments that would have resulted from an increase to the corresponding unobservable input. A decrease to the unobservable input would have the opposite effect. Significant increases and decreases in these unobservable inputs in isolation would result in significantly higher or lower fair value measurements.

INVESTMENT-RELATED COMMITMENTS

The University is obligated under certain alternative investment agreements to advance additional funding up to specified levels over a period of several years. The following table presents significant terms of such agreements including redemption terms, notice periods, and remaining life for all related alternative investments at August 31, 2022, in thousands of dollars:

ASSET CLASS	FAIR VALUE	UNFUNDED COMMITMENT	REMAINING LIFE (YEARS)	REDEMPTION TERMS
Public equities	$ 7,140,098	$ 135,235	0 to 5	Generally, lock-up provisions ranging from 0 to 3 years. After initial lock up expires, redemptions are available on a rolling basis and require 30 to 90 days prior notification.
Real estate	2,139,989	1,448,451	0 to 9	Not eligible for redemption
Natural resources	1,452,742	795,985	0 to 9	Not eligible for redemption
Private equities	17,207,532	5,432,311	0 to 20	Not eligible for redemption
Absolute return	6,703,158	664,887	0 to 3	Generally, lock-up provisions ranging from 0 to 3 years. After initial lock up expires, redemptions are available on a rolling basis and require 30 to 90 days prior notification.
TOTAL	**$34,643,519**	**$ 8,476,869**		

OFFSETS TO INVESTMENT-RELATED ASSETS AND LIABILITIES

Financial instruments with off-balance sheet risk such as derivatives, securities lending agreements, securities sold, not yet purchased and repurchase agreements are subject to counterparty credit risk. The University seeks to control this risk in various ways, such as entering into transactions with counterparties with high creditworthiness, establishing and monitoring credit limits, and requiring collateral in certain situations.

The University generally maintains master netting agreements and collateral agreements with its counterparties. These agreements provide the University the right to net a counterparty's rights and obligations under the agreement and to liquidate and offset collateral against any net amount owed by the counterparty, in the event of default by the counterparty, such as bankruptcy or a failure to pay or perform. For certain derivatives, a master netting arrangement allows the counterparty to net any of its applicable liabilities or payment obligations to the University against any collateral previously provided or received (see *Note 7*).

The University may enter into repurchase and reverse repurchase agreements to sell or purchase securities to or from the counterparty with an agreement to repurchase or sell the same securities from or to the counterparty at a predetermined price.

The following table presents information about the gross amounts of assets and liabilities, the offset of these instruments and the related collateral amounts as of August 31, 2022 and 2021, in thousands of dollars:

	GROSS AMOUNTS OF ASSETS AND LIABILITIES	OFFSET AMOUNTS	NET AMOUNTS	COLLATERAL RECEIVED (PLEDGED)[2]	NET EXPOSURE
2022					
Assets:					
Derivatives[1]	$ 3,363	$ (12,331)	$ (8,968)	$ (8,968)	$ —
Repurchase agreements[3]	304,683	—	304,683	304,683	—
TOTAL	**308,046**	**(12,331)**	**295,715**	**295,715**	**—**
Liabilities:					
Derivatives[1]	12,332	(12,332)	—	—	—
Securities lending	2,151	—	2,151	(2,151)	—
TOTAL	**$ 14,483**	**$ (12,332)**	**$ 2,151**	**$ (2,151)**	**$ —**
2021					
Assets:					
Derivatives[1]	$ 2	$ (5,466)	$ (5,464)	$ (5,464)	$ —
Repurchase agreements[3]	132,142	—	132,142	132,142	—
TOTAL	**132,144**	**(5,466)**	**126,678**	**126,678**	**—**
Liabilities:					
Derivatives[1]	5,466	(5,466)	—	—	—
Securities lending	9,847	—	9,847	(9,847)	—
TOTAL	**$ 15,313**	**$ (5,466)**	**$ 9,847**	**$ (9,847)**	**$ —**

[1] *Gross derivative assets less gross derivative liabilities are presented as derivatives in the investment assets table.*

[2] *These collateral amounts received (pledged) are limited to the asset balance and accordingly, do not include any excess collateral received.*

[3] *Repurchase agreements are included in cash and short-term investments in the investment assets table.*

INVESTMENT RETURNS

Total investment returns for the years ended August 31, 2022 and 2021, in thousands of dollars, are as follows:

	UNIVERSITY	SHC	LPCH	CONSOLIDATED
2022				
Investment income	$ 398,137	$ 123,298	$ 2,303	$ 523,738
Net realized and unrealized losses	(445,728)	(386,982)	(38,851)	(871,561)
TOTAL INVESTMENT RETURNS, NET	**$ (47,591)**	**$ (263,684)**	**$ (36,548)**	**$ (347,823)**
Reconciliation to *Statements of Activities:*				
Total investment income distributed for operations	$ 1,742,175	$ 606	$ 9,370	$ 1,752,151
Increase (decrease) in reinvested gains:				
Without donor restrictions	(449,755)	(264,528)	(29,655)	(743,938)
With donor restrictions	(1,243,613)	238	(12,396)	(1,255,771)
Change in value of split-interest agreements, net	(59,444)	—	(3,867)	(63,311)
Adjustments for actuarial re-evaluations and maturities of split-interest agreements	(36,954)	—	—	(36,954)
TOTAL INVESTMENT RETURNS, NET	**$ (47,591)**	**$ (263,684)**	**$ (36,548)**	**$ (347,823)**
2021				
Investment income	$ 263,205	$ 76,578	$ 2,869	$ 342,652
Net realized and unrealized gains	10,884,804	808,700	357,325	12,050,829
TOTAL INVESTMENT RETURNS, NET	**$ 11,148,009**	**$ 885,278**	**$ 360,194**	**$ 12,393,481**
Reconciliation to *Statements of Activities:*				
Total investment income distributed for operations	$ 1,731,388	$ 1,095	$ 18,799	$ 1,751,282
Increase in reinvested gains:				
Without donor restrictions	4,468,169	871,876	208,623	5,548,668
With donor restrictions	4,676,143	12,307	129,446	4,817,896
Change in value of split-interest agreements, net	119,227	—	3,326	122,553
Adjustments for actuarial re-evaluations and maturities of split-interest agreements	153,082	—	—	153,082
TOTAL INVESTMENT RETURNS, NET	**$ 11,148,009**	**$ 885,278**	**$ 360,194**	**$ 12,393,481**

Investment returns are net of investment management expenses, including both external management fees and internal University investment-related salaries, benefits and operating expenses.

FUTURE MINIMUM RENTAL INCOME

As part of its investment portfolio, Stanford holds certain investment properties that it leases to third parties. Future minimum rental income due from the Stanford Shopping Center, the Stanford Research Park and other properties under non-cancellable leases in effect with tenants at August 31, 2022, in thousands of dollars, is as follows:

	FUTURE MINIMUM RENTAL INCOME			
YEAR ENDING AUGUST 31	UNIVERSITY	SHC	LPCH	CONSOLIDATED
2023	$ 164,115	$ 5,338	$ 865	$ 170,318
2024	154,485	4,461	563	159,509
2025	136,222	2,504	308	139,034
2026	128,588	1,703	214	130,505
2027	104,925	953	127	106,005
Thereafter	2,553,044	8,931	—	2,561,975
TOTAL	**$ 3,241,379**	**$ 23,890**	**$ 2,077**	**$ 3,267,346**

7. Derivatives

Stanford, directly or through external investment managers on Stanford's behalf, utilizes various strategies to reduce investment and credit risks, to serve as a temporary surrogate for investment in stocks and bonds, to manage interest rate exposure on debt, and/or to manage specific exposure to foreign currencies. Futures, options and other derivative instruments are used to adjust elements of investment exposures to various securities, sectors, markets and currencies without actually taking a position in the underlying asset or basket of assets. Interest rate swaps are used to manage interest rate risk. With respect to foreign currencies, Stanford utilizes forward contracts and foreign currency options to manage exchange rate risk.

INVESTMENT-RELATED DERIVATIVES

The following table presents amounts for investment-related derivatives, including the notional amount, the fair values at August 31, 2022 and 2021, and gains and losses for the years ended August 31, 2022 and 2021, in thousands of dollars:

	NOTIONAL AMOUNT[1]	GROSS DERIVATIVE ASSETS[2]	GROSS DERIVATIVE LIABILITIES[2]	REALIZED AND UNREALIZED GAINS (LOSSES)[3]
				YEAR ENDED
2022	AS OF AUGUST 31			AUGUST 31
Foreign exchange contracts	$ 102,873	$ 42	$ 913	$ (1,937)
Equity contracts[4]	378,657	3,321	11,418	87,318
TOTAL	**$ 481,530**	**$ 3,363**	**$ 12,331**	**$ 85,381**
2021				
Foreign exchange contracts	$ 13,466	$ 2	$ 209	$ (1,049)
Equity contracts[4]	379,694	—	5,257	(80,118)
TOTAL	**$ 393,160**	**$ 2**	**$ 5,466**	**$ (81,167)**

[1] *The notional amount is representative of the volume and activity of the respective derivative type during the years ended August 31, 2022 and 2021.*

[2] *Gross derivative assets less gross derivative liabilities of $(9.0) million and $(5.5) million as of August 31, 2022 and 2021, respectively, are presented as derivatives on the investment table in Note 6.*

[3] *Gains and losses on derivatives are included in the Statements of Activities line "Increase (decrease) in reinvested gains" in "Non-operating activities."*

[4] *The realized and unrealized gains and (losses) related to hedging derivatives were $0 and $28.2 million for the years ended August 31, 2022 and 2021, respectively.*

DEBT-RELATED DERIVATIVES

The University and SHC use interest rate exchange agreements to manage the interest rate exposure of their debt portfolios. Under the terms of the current agreements, the entities pay a fixed interest rate, determined at inception, and receive a variable rate on the underlying notional principal amount. Generally, the exchange agreements require mutual posting of collateral by the University and SHC and the counterparties if the termination values exceed a predetermined threshold dollar amount.

At August 31, 2022, the University had interest rate exchange agreements related to $97.0 million of the outstanding balance of the CEFA Series S bonds in variable rate mode (see *Note 9*). The agreements, which have a weighted average interest rate of 3.68%, expire November 1, 2039. The notional amount and the fair value of the exchange agreements are included in the table below. Collateral posted with various counterparties was $9.7 million and $22.3 million at August 31, 2022 and 2021, respectively, and is included in the *Consolidated Statements of Financial Position*. In addition, the University issued an irrevocable standby letter of credit of $15.0 million to support collateral requirements at August 31, 2022 and 2021 (see *Note 9*).

At August 31, 2022, SHC had interest rate exchange agreements expiring through November 2051 (see *Note 9*). The agreements require SHC to pay fixed interest rates to the counterparties varying from 3.37% to 4.08% in exchange for variable rate payments from the counterparties based on a percentage of the One Month London Interbank Offered Rate (LIBOR). The notional amount and the fair value of the exchange agreements are included in the table below. There was cash collateral required to be posted with counterparties at August 31, 2022 and 2021 of $0 and $21.2 million, respectively.

The following table presents amounts for debt-related derivatives including the notional amount, the fair values at August 31, 2022 and 2021, and gains and losses for the years ended August 31, 2022 and 2021, in thousands of dollars:

	AS OF AUGUST 31, 2022		YEAR ENDED AUGUST 31, 2022	AS OF AUGUST 31, 2021		YEAR ENDED AUGUST 31, 2021
	NOTIONAL AMOUNT[1]	GROSS DERIVATIVE LIABILITIES[2]	UNREALIZED GAINS[3]	NOTIONAL AMOUNT[1]	GROSS DERIVATIVE LIABILITIES[2]	UNREALIZED GAINS[3]
Debt-related interest-rate contracts:						
University	$ 97,000	$ 21,550	$ 21,707	$ 97,000	$ 43,257	$ 10,557
SHC	573,725	145,906	139,748	574,025	285,654	67,638
TOTAL	**$ 670,725**	**$ 167,456**	**$ 161,455**	**$ 671,025**	**$ 328,911**	**$ 78,195**

[1] The notional amount is representative of the volume and activity of the respective derivative type during the years ended August 31, 2022 and 2021.

[2] Fair value is measured using Level 2 inputs as defined in Note 6. Amounts are included in the Statements of Financial Position in "Accounts payable and accrued expenses" and discussed more fully in Note 9.

[3] Gains on derivatives are included in the Statements of Activities as "Swap interest and change in value of swap agreements" in "Non-operating activities".

8. Plant Facilities

Plant facilities, net of accumulated depreciation, at August 31, 2022 and 2021, in thousands of dollars, are as follows:

	UNIVERSITY	SHC	LPCH	CONSOLIDATED
2022				
Land and improvements	$ 899,191	$ 155,325	$ 120,605	$ 1,175,121
Buildings and building improvements	9,714,384	3,912,975	1,954,449	15,581,808
Furniture, fixtures and equipment	2,194,236	1,720,456	500,663	4,415,355
Utilities	1,053,134	—	—	1,053,134
Construction in progress	458,954	503,430	58,531	1,020,915
	14,319,899	6,292,186	2,634,248	23,246,333
Less accumulated depreciation	(6,415,976)	(2,566,698)	(886,225)	(9,868,899)
PLANT FACILITIES, NET OF ACCUMULATED DEPRECIATION	**$ 7,903,923**	**$ 3,725,488**	**$ 1,748,023**	**$ 13,377,434**
2021				
Land and improvements	$ 681,619	$ 77,368	$ 120,605	$ 879,592
Buildings and building improvements	9,619,090	3,817,842	1,930,883	15,367,815
Furniture, fixtures and equipment	2,122,470	1,650,865	483,032	4,256,367
Utilities	956,104	—	—	956,104
Construction in progress	319,317	387,419	39,446	746,182
	13,698,600	5,933,494	2,573,966	22,206,060
Less accumulated depreciation	(6,015,428)	(2,314,043)	(797,959)	(9,127,430)
PLANT FACILITIES, NET OF ACCUMULATED DEPRECIATION	**$ 7,683,172**	**$ 3,619,451**	**$ 1,776,007**	**$ 13,078,630**

At August 31, 2022, $2.7 billion, $1.5 billion, and $403.4 million of fully depreciated plant facilities were still in use by the University, SHC, and LPCH, respectively, and are included in plant facilities and accumulated depreciation in the above table.

In May 2022, the Board of Trustees of the University approved the purchase of Oak Creek Apartments, a 759-unit apartment complex on leased Stanford land reflecting an effort to meet increased demand for faculty, staff, and student housing on and near the historic campus. As a result, the $194.5 million value of the ground lease was reclassified from "Investments" to land and Improvements in "Plant facilities, net of accumulated depreciation”.

9. Notes and Bonds Payable

Notes and bonds payable for the University, SHC, and LPCH at August 31, 2022 and 2021, in thousands of dollars, are presented in the table below. The University is not an obligor or guarantor with respect to any obligations of SHC or LPCH, nor are SHC or LPCH obligors or guarantors with respect to obligations of the University or each other.

	YEAR OF MATURITY	EFFECTIVE INTEREST RATE * 2022/2021	OUTSTANDING PRINCIPAL 2022	2021
UNIVERSITY:				
Tax-exempt:				
CEFA Fixed Rate Revenue Bonds:				
Series S	2040	3.18%	$ 30,210	$ 30,210
Series T	2023-2039	3.66%-4.30%	188,900	188,900
Series U	2032-2046	2.71%-4.25%	1,043,090	1,043,090
Series V	2029-2051	1.83%-3.12%	742,230	742,230
CEFA Variable Rate Revenue Bonds and Notes:				
Series L	2023	1.20%/0.01%	36,208	36,208
Series S	2040-2051	1.20%-1.47%/0.10%-0.12%	141,200	141,200
Taxable:				
Fixed Rate Notes and Bonds:				
Stanford University Bonds	2024	6.88%	150,000	150,000
Medium Term Note	2026	7.65%	50,000	50,000
Stanford University Series 2012	2042	4.01%	143,235	143,235
Stanford University Series 2013	2044	3.56%	150,115	150,115
Stanford University Series 2014	2054	4.25%	150,000	150,000
Stanford University Series 2015	2047	3.46%	250,000	250,000
Stanford University Series 2017	2048	3.65%	750,000	750,000
Stanford University Series 2019	2029	3.09%	121,000	121,000
Stanford University Series 2020	2027-2050	1.29%-2.41%	750,000	750,000
Other	2031	3.29%	480	480
Commercial Paper	2023	2.32%-2.55%	30,055	—
University notes and bonds payable			4,726,723	4,696,668
Unamortized issuance costs, premiums, and discounts, net			427,115	447,181
UNIVERSITY TOTAL			**$ 5,153,838**	**$ 5,143,849**
SHC:				
CHFFA Fixed Rate Revenue Bonds:				
2008 Series A-2	2022	3.81%	$ —	$ 450
2008 Series A-3	2022	3.81%	—	375
2012 Series B	2023	2.57%/2.52%	7,430	14,985
2015 Series A	2052-2054	4.10%	100,000	100,000
2017 Series A	2023-2041	2.87%/2.85%	447,075	454,200
2020 Series A	2050	2.70%	170,120	170,120
2021 Series A	2025	0.42%	157,715	157,715
2018 Series Taxable Bonds	2049	3.80%	500,000	500,000
2020 Series Taxable Bonds	2030	3.31%	300,000	300,000
2021 Series Taxable Bonds	2051	3.03%	365,100	365,100
CHFFA Variable Rate Revenue Bonds:				
2008 Series B	2042-2046	1.38%/0.07%	168,200	168,200
SHC notes and bonds payable			2,215,640	2,231,145
Unamortized issuance costs, premiums, and discounts, net			79,697	87,635
SHC TOTAL			**$ 2,295,337**	**$ 2,318,780**
LPCH:				
CHFFA Fixed Rate Revenue Bonds:				
2012 Series A	2022	4.32%	$ —	$ 200,000
2012 Series B	2013-2022	2.99%/2.96%	—	28,720
2014 Series A	2025-2043	3.84%	100,000	100,000
2016 Series A	2016-2033	2.48%/2.42%	53,940	57,310
2016 Series B	2052-2055	3.34%	100,000	100,000
2017 Series A	2019-2057	3.11%/3.08%	190,940	193,545
2022 Series A	2023-2051	2.47%	206,670	—
CHFFA Variable Rate Revenue Bonds:				
2014 Series B	2034-2043	2.17%/0.46%	100,000	100,000
LPCH notes and bonds payable			751,550	779,575
Unamortized issuance costs, premiums, and discounts, net			70,281	60,386
LPCH TOTAL			**$ 821,831**	**$ 839,961**
CONSOLIDATED TOTAL			**$ 8,271,006**	**$ 8,302,590**

**Exclusive of interest rate exchange agreements (see Note 7).*

The University borrows at tax-exempt interest rates through the California Educational Facilities Authority (CEFA), a conduit issuer. CEFA debt is a general unsecured obligation of the University. Although CEFA is the issuer, the University is responsible for the repayment of the tax-exempt debt. SHC and LPCH borrow at tax-exempt interest rates through the California Health Facilities Financing Authority (CHFFA). CHFFA debt is a general obligation of each of the hospitals. Payments of principal and interest on SHC's and LPCH's bonds are collateralized by a pledge of their respective revenues. Although CHFFA is the issuer, each hospital is responsible for the repayment of its respective tax-exempt debt.

The University's long-term ratings of AAA/AAA/Aaa were affirmed in August 2022 by S&P Global Ratings, March 2022 by Fitch Ratings, and March 2021 by Moody's Investors Service, respectively. In fiscal year 2022, Moody's additionally rated the University as part of their updated Environmental, Social and Governance methodology which introduced ESG Issuer Profile (IPS) and Credit Impact Scores (CIS) for rated entities. The new scores are part of Moody's commitment to demonstrate the systematic and transparent incorporation of material ESG issues into credit ratings. The scoring range is from 1 (positive) to 5 (very highly negative). The University was rated as a 2 on each of the environmental, governance and social dimensions, respectively, of the Issuer Profile score; and 2 on the Credit Impact Score. The score of 2 correlates to a "neutral-to-low" credit impact of impact of ESG considerations. In March and April 2022, SHC's long-term ratings were affirmed by S&P Global Ratings, Moody's Investors Service, and Fitch Ratings at AA-/Aa3/AA, respectively. LPCH's long-term ratings of A+/A1/AA- were affirmed by S&P Global Ratings, Moody's Investors Service, and Fitch Ratings in June 2022, respectively.

SHC and LPCH are each party to separate master trust indentures that include, among other requirements, limitations on the incurrence of additional indebtedness, liens on property, restrictions on disposition or transfer of assets and compliance with certain financial ratios. Subject to applicable no-call provisions, SHC and LPCH may cause the redemption of the bonds, in whole or in part, prior to the stated maturities.

UNIVERSITY

Debt issuances and repayment activity

In May 2021, CEFA Series U-5 bond in the amount of $124.1 million matured and was refunded with a portion of the proceeds of CEFA Series V-2.

In April 2021, CEFA, on behalf of the University, issued its tax-exempt Series V-2 bonds in the amount of $300.4 million, maturing on April 1, 2051. The series was comprised of two tranches; the first tranche of $155.0 million with a coupon rate of 2.25% plus an original issue discount of $4.9 million and subject to an optional redemption at par on or after April 1, 2031; and the second tranche of $145.4 million with a coupon rate of 5.00% plus an original issue premium of $79.5 million and subject to an optional make-whole call redemption. The tranches have yields of 2.40% and 2.42%, respectively. The bonds carry dual Sustainability and Climate Bond Certified designations based on the use of proceeds and an assessment by an independent verification agent. Proceeds are being used to refinance CEFA Series U-5, and to finance or refinance certain capital projects of the University.

The University has two unsecured revolving credit facilities. One credit facility has a capacity of $250.0 million and maturity date of May 31, 2024 and the other has a capacity of $175.0 million and maturity date of September 30, 2024. Funds drawn on the revolving credit facilities bear interest at a floating rate equal to the applicable LIBOR rate plus a specified margin. There were no amounts outstanding on these credit facilities at August 31, 2022 and 2021. These facilities have provisions to address the upcoming LIBOR transition (see *Note 1*).

The University's taxable and tax-exempt commercial paper authorized borrowing capacity was $500.0 million and $300.0 million, respectively, at both August 31, 2022 and 2021. Taxable commercial paper of $30.1 million and $0 was outstanding at August 31, 2022 and 2021, respectively. There was no tax-exempt commercial paper outstanding at August 31, 2022 and 2021.

Variable rate debt subject to remarketing or tender

The University had $177.4 million of revenue bonds in variable rate mode outstanding at August 31, 2022. CEFA Series L bonds bear interest at a weekly rate and CEFA Series S bonds bear interest at a commercial paper municipal rate for various interest periods of 270 days or less. In the event the University receives notice of any optional tender of these bonds, or if the bonds become subject to mandatory tender, the purchase price of the bonds will be paid from the remarketing of such bonds. However, if the remarketing proceeds are insufficient, the University will have a current obligation to purchase the bonds tendered. The University has identified several sources of funding including cash, money market funds, U.S. Treasury securities and agencies' discount notes to provide for the full and timely purchase price of any bonds tendered in the event of a failed remarketing.

Letters of credit

In December 2010, the University entered into a credit agreement and established a letter of credit facility under which the bank agreed to issue standby letters of credit in a principal amount not to exceed $50.0 million. In June 2018, the facility was raised to $75.0 million and in June 2020, the University decreased the facility to $65.0 million. At August 31, 2022, irrevocable standby letters of credit of $51.2 million were outstanding in the following amounts and for the following respective purposes: (1) $15.0 million to support collateral requirements under certain interest rate exchange agreements discussed in *Note 7*; (2) $32.1 million to serve as security for workers' compensation deductible insurance arrangements; and (3) $4.1 million for other purposes. There were no amounts drawn on these letters of credit at August 31, 2022.

SHC

Debt issuances and repayment activity

In November 2021, SHC amended its revolving line of credit facility by extending the maturity date until November 2024 and modifying the reference rate to the Bloomberg Short-Term Yield Index Rate (BSBY). Drawdowns from the facility bear interest at BSBY plus an applicable spread. The size of the facility is $150.0 million, of which $50.0 million is earmarked for the issuance of stand-by letters of credit. There were no amounts drawn on this credit facility as of August 31, 2022 and 2021.

In April 2021, CHFFA, on behalf of SHC, issued its tax-exempt 2021 Series A revenue bonds in the aggregate principal amount of $157.7 million plus an original issue premium of $17.3 million. The bonds were issued initially in a long-term interest rate mode at a fixed rate of 3.00% and are subject to mandatory tender on August 15, 2025. Proceeds of the 2021 Series A bonds were used to refund the 2012 Series D and 2015 Series B bonds previously issued by CHFFA for the benefit of SHC.

In April 2021, SHC issued the 2021 Taxable Bonds in the amount of $365.1 million. The bonds bear interest at a coupon rate of 3.03% and mature on August 15, 2051. Proceeds were used to advance refund the 2012 Series A bonds previously issued by CHFFA for the benefit of SHC. All advance refunded bonds are considered extinguished.

In April 2021, SHC established a $150.0 million taxable commercial paper facility to be used for general corporate purposes. There were no amounts outstanding as of August 31, 2022 and 2021.

Variable rate debt

At August 31, 2022, SHC had $168.2 million of revenue bonds in variable rate mode outstanding. The 2008 Series B bonds are supported by SHC's self-liquidity. In the event SHC receives a tender notice of any of the 2008 Series B bonds, the purchase price of the bonds will be paid from the remarketing of such bonds. However, if the remarketing proceeds are insufficient, SHC has an obligation to purchase any remaining bonds. SHC maintains sufficient liquidity to provide for the full and timely purchase price of any bonds tendered in the event of a failed remarketing.

Letters of credit

At August 31, 2022, SHC had irrevocable standby letters of credit in the aggregate amount of $28.8 million posted with certain beneficiaries in the following amounts and for the following respective purposes: (i) $26.6 million to serve as security for the workers' compensation self-insurance arrangement and (ii) $2.2 million to serve as security deposits for certain construction projects being undertaken by SHC. There were no amounts drawn on these letters of credit at August 31, 2022 and 2021.

LPCH

Debt activity

In June 2022, LPCH extended its $200.0 million revolving credit facility until June 2025. There were no amounts drawn on the line of credit as of August 31, 2022 and 2021.

In May 2022, CHFFA issued, on behalf of LPCH, forward delivery refunding bonds in the aggregate par amount of $206.7 million, with a premium of $23.9 million (the "2022 Series A Bonds"). Proceeds of the 2022 Series A Bonds were used for the legal defeasance and redemption of the 2012 Series A bonds, partial refund of the 2012 Series B bonds, and payments of costs of issuance. The coupon interest rates for the Series 2022 Series A Bonds range from 4.00-5.00% over the life of the bonds. The defeasance of 2012 Bonds resulted in a gain of $6.9 million recognized as "Gain on extinguishment of debt" included in the *Statements of Activities*.

Letters of credit

At August 31, 2022, LPCH had irrevocable standby letters of credit in the aggregate amount of $11.6 million posted with certain beneficiaries in the following amounts and for the following respective purposes: (i) $10.2 million to serve as security for the workers' compensation self-insurance arrangement, and (ii) $1.4 million to serve as security deposits for construction, operation and maintenance of certain utility facilities. There were no amounts drawn on these letters of credit at August 31, 2022 and 2021.

INTEREST

Stanford's interest expense, which includes settlements under the interest rate exchange agreements, amortized bond issuance costs and amortized bond premium or discount is recorded in "Other operating expenses". Interest expense for the years ended August 31, 2022 and 2021, in thousands of dollars, is as follows:

	UNIVERSITY	SHC	LPCH	CONSOLIDATED
2022				
Interest expense, gross	$ 164,162	$ 71,939	$ 31,042	$ 267,143
Less:				
Interest income earned on unspent proceeds	(1,398)	—	—	(1,398)
Interest capitalized as a cost of construction	(8,021)	—	—	(8,021)
Interest expense which is classified as an investment expense	(4,151)	—	—	(4,151)
INTEREST EXPENSE, NET	**$ 150,592**	**$ 71,939**	**$ 31,042**	**$ 253,573**
2021				
Interest expense, gross	$ 159,912	$ 73,309	$ 31,982	$ 265,203
Less:				
Interest income earned on unspent proceeds	(48)	—	—	(48)
Interest capitalized as a cost of construction	(4,580)	—	—	(4,580)
Interest expense which is classified as an investment expense	(4,345)	—	—	(4,345)
INTEREST EXPENSE, NET	**$ 150,939**	**$ 73,309**	**$ 31,982**	**$ 256,230**

The University and SHC use interest rate exchange agreements to manage the interest rate exposure of their debt portfolios. University net payments on interest rate exchange agreements were $3.2 million and $3.5 million for the years ended August 31, 2022 and 2021, respectively. SHC net payments on interest rate exchange agreements were $19.8 million and $21.4 million for the years ended August 31, 2022 and 2021, respectively.

PRINCIPAL PAYMENTS

At August 31, 2022, scheduled principal payments on notes and bonds, in thousands of dollars, are as follows:

	PRINCIPAL PAYMENTS			
YEAR ENDING AUGUST 31	UNIVERSITY	SHC	LPCH	CONSOLIDATED
2023 Commercial paper	$ 30,055	$ —	$ —	$ 30,055
2023 Variable debt subject to remarketing	177,408	168,200	—	345,608
2023 Other	51,765	17,065	9,110	77,940
2024	150,000	13,475	9,570	173,045
2025	—	175,330	9,975	185,305
2026	75,360	18,480	10,470	104,310
2027	300,000	19,320	11,020	330,340
Thereafter	3,942,135	1,803,770	701,405	6,447,310
TOTAL	**$ 4,726,723**	**$ 2,215,640**	**$ 751,550**	**$ 7,693,913**

10. Net Assets

Net assets without donor restrictions include Board-designated funds functioning as endowment *(see Note 11)*, net investment in plant facilities and other operating funds.

Net assets with donor restrictions consist primarily of endowment gifts that are limited for long-term investment, and accumulated appreciation that may be appropriated for expenditure by the University (see *Note 11*). Net assets with donor restrictions also include gifts and pledges that are subject to donor-imposed restrictions that expire with the passage of time, payment of pledges, and/or actions of the University, and other funds including Stanford's net equity in split-interest agreements and student loans.

Net assets at August 31, 2022 and 2021, in thousands of dollars, are as follows:

	UNIVERSITY	SHC	LPCH	ELIMINATIONS	CONSOLIDATED
2022					
NET ASSETS WITHOUT DONOR RESTRICTIONS					
Board designated endowment - Funds functioning as endowment	$ 16,915,950	$ —	$ 144,650	$ —	$ 17,060,600
Net investment in plant facilities and other plant funds	4,742,628	2,216,499	926,193	—	7,885,320
Operating funds	5,719,867	3,756,261	1,268,887	(171,641)	10,573,374
Total net assets without donor restrictions	27,378,445	5,972,760	2,339,730	(171,641)	35,519,294
NET ASSETS WITH DONOR RESTRICTIONS					
Subject to expenditure for specified purpose:					
Unspent gifts and gifts with undecided purpose restrictions	864,997	—	—	—	864,997
Plant facilities	298,676	13,390	87,629	—	399,695
Total	1,163,673	13,390	87,629	—	1,264,692
Subject to passage of time:					
Pledges receivable	1,182,846	41,877	268,983	(46,254)	1,447,452
Other funds	329,483	48,550	30,276	—	408,309
Total	1,512,329	90,427	299,259	(46,254)	1,855,761
Subject to University's spending policy:					
Accumulated appreciation	10,808,455	25,737	198,821	—	11,033,013
Subject to restrictions in perpetuity:					
Endowment funds	8,454,185	15,544	260,854	—	8,730,583
Pledges receivable	804,034	—	2,376	—	806,410
Other funds	285,716	—	—	—	285,716
Total	9,543,935	15,544	263,230	—	9,822,709
Total net assets with donor restrictions	23,028,392	145,098	848,939	(46,254)	23,976,175
TOTAL NET ASSETS	**$50,406,837**	**$6,117,858**	**$3,188,669**	**$ (217,895)**	**$ 59,495,469**

	UNIVERSITY	SHC	LPCH	ELIMINATIONS	CONSOLIDATED
2021					
NET ASSETS WITHOUT DONOR RESTRICTIONS					
Board designated endowment - Funds functioning as endowment	$ 17,556,924	$ —	$ 162,832	$ —	$ 17,719,756
Net investment in plant facilities and other plant funds	4,597,835	2,086,049	936,046	—	7,619,930
Operating funds	5,347,454	3,607,109	1,277,114	(119,039)	10,112,638
Total net assets without donor restrictions	27,502,213	5,693,158	2,375,992	(119,039)	35,452,324
NET ASSETS WITH DONOR RESTRICTIONS					
Subject to expenditure for specified purpose:					
Gifts with undecided purpose restrictions	642,923	—	—	—	642,923
Plant facilities	157,218	10,353	57,512	—	225,083
Total	800,141	10,353	57,512	—	868,006
Subject to passage of time:					
Pledges receivable	794,845	48,860	176,909	(89,996)	930,618
Other funds	346,120	49,442	37,953	(1,176)	432,339
Total	1,140,965	98,302	214,862	(91,172)	1,362,957
Subject to University's spending policy:					
Accumulated appreciation	12,127,538	27,305	232,034	—	12,386,877
Subject to restrictions in perpetuity:					
Endowment funds	7,959,566	15,373	260,975	—	8,235,914
Pledges receivable	755,469	—	2,567	—	758,036
Other funds	330,344	—	—	—	330,344
Total	9,045,379	15,373	263,542	—	9,324,294
Total net assets with donor restrictions	23,114,023	151,333	767,950	(91,172)	23,942,134
TOTAL NET ASSETS	**$50,616,236**	**$5,844,491**	**$3,143,942**	**$ (210,211)**	**$ 59,394,458**

11. Endowments

The University classifies a substantial portion of its financial resources as endowment, which is invested to generate income to support operating and strategic initiatives. The endowment, which includes endowed lands, is comprised of pure endowment funds, term endowment funds, and funds functioning as endowment (FFE). Depending on the nature of the donor's stipulation, these resources are recorded as net assets with donor restrictions or net assets without donor restrictions. Term endowments are similar to other endowment funds except that, upon the passage of a stated period of time or the occurrence of a particular event, all or part of the principal may be expended. Accordingly, term endowments are classified as net assets with donor restrictions until expiration of the term. FFE are University resources designated by the Board as endowment and are invested for long-term appreciation and current income. These assets, however, remain available and may be spent at the Board's discretion. Accordingly, FFE are recorded as net assets without donor restrictions.

Stanford classifies as net assets with donor restrictions (a) the original value of gifts donated to the endowment with donor restrictions and (b) accumulations to the endowment with donor restrictions made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining accumulation to the endowment funds that are required to be maintained in perpetuity in accordance with the direction of the applicable donor gift instrument, is classified as net assets with donor restrictions until those amounts are authorized for expenditure. The aggregate amount by which fair value was below historic value was $15.5 million and $2.8 million at August 31, 2022 and 2021, respectively.

Endowment funds by net asset classification at August 31, 2022 and 2021, in thousands of dollars, are as follows:

	2022	2021
University endowment		
Endowment funds without donor restrictions:		
Funds functioning as endowment	$ 16,915,950	$ 17,556,924
Endowment funds with donor restrictions:		
Original donor-restricted gift amount and gains maintained in perpetuity	8,454,185	7,959,566
Term endowment and related gains	259,640	264,314
Additional accumulated gains available for expenditure, subject to spending policy	10,709,019	12,007,383
Total endowment funds with donor restrictions	19,422,844	20,231,263
University endowment	36,338,794	37,788,187
LPCH endowment		
Endowment funds without donor restrictions:		
Funds functioning as endowment	144,650	162,832
Endowment funds with donor restrictions	477,209	509,796
LPCH endowment	621,859	672,628
SHC endowment funds with donor restrictions	41,281	31,249
TOTAL ENDOWMENT FUNDS	**$ 37,001,934**	**$ 38,492,064**

Most of Stanford's endowment is invested in the MP. The return objective for the MP is to generate optimal long-term total return while maintaining an appropriate level of risk. Investment returns are achieved through both capital appreciation (realized and unrealized gains) and current yield (interest and dividends). Portfolio asset allocation targets as well as expected risk, return and correlation among the asset classes are reevaluated regularly by Stanford Management Company.

UNIVERSITY

Changes in the University's endowment, excluding pledges, for the years ended August 31, 2022 and 2021, in thousands of dollars, are as follows:

	NET ASSETS WITHOUT DONOR RESTRICTIONS	NET ASSETS WITH DONOR RESTRICTIONS	TOTAL
2022			
Endowment, beginning of year	$ 17,556,924	$ 20,231,263	$ 37,788,187
Total investment returns, net	566,728	(474,784)	91,944
Amounts distributed for operations	(609,718)	(855,939)	(1,465,657)
Gifts, transfers and other changes in endowment:			
Current year gifts and pledge payments	5,053	398,596	403,649
Transfers of prior year gifts	3,125	98,629	101,754
Withdrawn from FFE reserves	(372,878)	—	(372,878)
Other funds added to (withdrawn from) the endowment, net	(233,284)	25,079	(208,205)
Total gifts, transfers and other changes in endowment	(597,984)	522,304	(75,680)
Total net increase in endowment	(640,974)	(808,419)	(1,449,393)
ENDOWMENT, END OF YEAR	**$ 16,915,950**	**$ 19,422,844**	**$ 36,338,794**
2021			
Endowment, beginning of year	$ 13,707,220	$ 15,240,891	$ 28,948,111
Total investment returns, net	3,420,540	5,341,069	8,761,609
Amounts distributed for operations	(541,050)	(789,103)	(1,330,153)
Gifts, transfers and other changes in endowment:			
Current year gifts and pledge payments	405	371,678	372,083
Transfers of prior year gifts	5,303	59,159	64,462
Added to FFE reserves	1,302,134	—	1,302,134
Other funds added to (withdrawn from) the endowment, net	(337,628)	7,569	(330,059)
Total gifts, transfers and other changes in endowment	970,214	438,406	1,408,620
Total net increase in endowment	3,849,704	4,990,372	8,840,076
ENDOWMENT, END OF YEAR	**$ 17,556,924**	**$ 20,231,263**	**$ 37,788,187**

Approximately 15% of the University's endowment is invested in real estate on Stanford's lands, including the Stanford Research Park. This portion of the endowment includes the present value of ground leases, and rental properties that have been developed on Stanford lands. The net operating income from these properties is distributed each year for University operations.

Through the combination of investment strategy and payout policy, the University strives to provide a reasonably consistent payout from endowment to support operations, while preserving the purchasing power of the endowment adjusted for inflation.

The Board approves the amounts to be paid out annually from endowment funds invested in the MP. Consistent with the Uniform Prudent Management of Institutional Funds Act, when determining the appropriate payout the Board considers the purposes of the University and the endowment, the duration and preservation of the endowment, general economic conditions, the possible effect of inflation or deflation, the expected return from income and the appreciation of investments, other resources of the University, and the University's investment policy.

The Board approved spending rate for fiscal year 2022 was 5.5%. The payout amount is determined by applying a smoothing rule designed to mitigate the impact of short-term market volatility on the flow of funds to support operations. The Board has the authority to override the smoothing rule and set the payout rate directly. Beginning in fiscal year 2021, the Board approved the creation of two payout rates, one for student aid funds and the other for non-student aid funds. The sources of payout are earned income on endowment assets (interest, dividends, rents and royalties), realized capital gains and FFE, as needed and as available.

SHC

SHC's endowment is intended to generate investment income to support its current operating and strategic initiatives. SHC invests all of its endowment in the University's MP. The endowments are subject to the same investment and spending strategies that the University employs. "Amounts distributed for operations" in the table below represents SHC's current year endowment payout spent for designated purposes. All of SHC's endowment is donor restricted. Changes in SHC's endowment, excluding pledges, for the years ended August 31, 2022 and 2021, in thousands of dollars, are as follows:

	2022	2021
Endowment, beginning of year	$ 42,678	$ 31,249
Total investment returns, net	(1,184)	11,028
Amounts distributed for operations	(384)	(492)
Gifts and pledge payments	171	740
Other	—	153
Total net increase (decrease) in endowment	(1,397)	11,429
ENDOWMENT, END OF YEAR	**$ 41,281**	**$ 42,678**

LPCH

LPCH's endowment is intended to generate investment income that can be used to support their current operating and strategic initiatives. The endowment includes funds held by LPCH and Lucile Packard Foundation for Children's Health (LPFCH). LPCH is the sole member of LPFCH, a public charity, whose mission is to elevate the priority of children's health and increase the quality and accessibility of children's health care through leadership and direct investment. LPCH invests the majority of its endowment in the University's MP, and LPFCH invests its endowment in other long-term investments.

LPCH's Board of Directors has adopted the University's investment and spending policies for its donor-restricted and board designated funds functioning as an endowment that provide for annual amounts (payout) to be distributed to appropriate restricted funds supporting operating and strategic activities of LPCH.

LPFCH's endowment is approved as board designated funds functioning as endowment by LPFCH's Board of Directors. LPFCH has a policy of appropriating for distribution each year an amount determined annually based on budget needs. The annual distribution is expected to average no more than 5% of the endowment fund's fair value. For individual years, it is expected to fall within a target range of 4.75% to 5.25% of the endowment fund's average fair value over the prior 12 quarters. Unspent program budget may be spent in future years subject to certain limits. LPFCH's Board of Directors may also appropriate an amount outside this target range. Accordingly, depending on anticipated activity and timing of the grant opportunities, actual spending may fall outside of the range. In establishing this policy, the LPFCH considered the long term expected return on its endowment. Over the long term, the LPFCH expects the current spending policy to allow its endowment to grow at a rate of expected inflation. This is consistent with the LPFCH's objective to maintain the purchasing power of the endowment assets held in perpetuity as well as to provide additional real growth through investment return.

Changes in LPCH's endowment, excluding pledges, for the years ended August 31, 2022 and 2021, in thousands of dollars, are as follows:

	NET ASSETS WITHOUT DONOR RESTRICTIONS	NET ASSETS WITH DONOR RESTRICTIONS	TOTAL
2022			
Endowment, beginning of year	$ 162,832	$ 509,796	$ 672,628
Total investment returns, net	(12,436)	(17,340)	(29,776)
Amounts distributed for operations	(5,746)	(9,370)	(15,116)
Gifts and pledge payments	—	3,103	3,103
Other	—	(8,980)	(8,980)
Total net decrease in endowment	(18,182)	(32,587)	(50,769)
ENDOWMENT, END OF YEAR	**$ 144,650**	**$ 477,209**	**$ 621,859**
2021			
Endowment, beginning of year	$ 128,521	$ 390,056	$ 518,577
Total investment returns, net	39,886	130,731	170,617
Amounts distributed for operations	(5,607)	(18,799)	(24,406)
Gifts and pledge payments	32	8,393	8,425
Other	—	(585)	(585)
Total net increase in endowment	34,311	119,740	154,051
ENDOWMENT, END OF YEAR	**$ 162,832**	**$ 509,796**	**$ 672,628**

12. Health Care Services Revenue

SHC and LPCH derive a majority of health care services revenue from contractual agreements with Medicare, Medi-Cal and other third-party payers that provide for payments at amounts different from established rates. Payments under these agreements and programs are based on a variety of payment models, including estimated retroactive audit adjustments under reimbursement agreements with third-party payers. Retroactive adjustments are estimated and recorded in the period the related services are rendered and adjusted in future periods, as final settlements are determined. Contracts, laws and regulations governing the Medicare and Medi-Cal programs are complex and subject to interpretation. As a result, it is reasonably possible that recorded estimates may change by a material amount in the near term.

A summary of payment arrangements with major third-party payers follows:

Medicare

Inpatient acute care services rendered to Medicare program beneficiaries are paid at prospectively determined rates per discharge. These rates vary according to a patient classification system that is based on clinical, diagnostic and other factors. Medicare reimburses hospitals for covered outpatient services rendered to its beneficiaries by way of an outpatient prospective payment system based on ambulatory payment classifications.

Inpatient non-acute services, certain outpatient services and medical education costs related to Medicare beneficiaries are paid based, in part, on a cost reimbursement methodology subject to final settlement after submission of annual cost reports and audits thereof by the Medicare fiscal intermediary. The estimated amounts due to or from the program are reviewed and adjusted annually based on the status of such audits and any subsequent appeals. Differences between final settlements and amounts accrued in previous years are reported as adjustments to net health care services revenue in the year examination is substantially completed. Medicare cost reports have been audited by the Medicare administrative contractor through August 31, 2010 for SHC and August 31, 2019 for LPCH.

Professional services are reimbursed based on a fee schedule.

Medi-Cal

The State reimburses hospitals for inpatient services rendered to Medi-Cal program beneficiaries based on a prospectively determined rate per discharge. Hospital outpatient and professional services are reimbursed based upon prospectively determined fee schedules.

The California Children's Services ("CCS") Program is a partnership between state and counties that provides medical case management for children in California diagnosed with serious chronic diseases. Currently, approximately 70% of CCS-eligible children are also Medi-Cal eligible. The Medi-Cal program reimburses their care.

Managed Care Organizations

SHC and LPCH have entered into agreements with numerous third-party payers to provide patient care to beneficiaries under a variety of payment arrangements. These include arrangements with:

- Commercial insurance companies which reimburse at negotiated charges.
- Managed care contracts such as those with Health Maintenance Organizations (HMOs) and Preferred Provider Organizations (PPOs), which reimburse at contracted or per diem rates, which are usually less than full charges.
- Counties in the State of California, which reimburse for certain indigent patients covered under county contracts.

Uninsured

For uninsured patients that do not qualify for charity care, revenue is recognized on the basis of standard rates for services less an uninsured discount applied to the patient's account that approximates the average discount for managed care payers.

Premium Revenue

SHC has capitated agreements with various HMOs to provide medical services to enrollees. Under these agreements, monthly payments are received based on the number of health plan enrollees. Additionally, SHC receives premium revenue from the Centers for Medicare & Medicaid Services ("CMS") to provide Medicare services to members. Premium revenue is recognized in the month in which the member is eligible for Medicare services as "Health care services" in the *Consolidated Statements of Activities.* Costs are accrued when services are rendered under these contracts, including cost estimates of incurred but not reported ("IBNR") claims. The IBNR accrual (which is included in "Accounts payable and accrued expenses") includes an estimate of the costs of services for which SHC is responsible, including referrals to outside healthcare providers.

The following table presents health care services revenue, net of price concessions, for the years ended August 31, in thousands of dollars:

	UNIVERSITY	SHC	LPCH	ELIMINATIONS	CONSOLIDATED
2022					
Patient care revenue, net:					
Medicare	$ —	$ 1,119,713	$ 4,606	$ —	$ 1,124,319
Medi-Cal	—	168,892	431,405	—	600,297
Managed care	—	5,327,820	1,626,472	—	6,954,292
Self pay and other	—	261,785	179,408	—	441,193
Physician services and support (see *Note 1*)	1,440,263	44,258	—	(1,484,521)	—
Total patient care revenue, net	1,440,263	6,922,468	2,241,891	(1,484,521)	9,120,101
Premium revenue	—	75,310	—	—	75,310
Other services and support	45,924	—	—	(9,306)	36,618
HEALTH CARE SERVICES REVENUE, NET	**$1,486,187**	**$6,997,778**	**$2,241,891**	**$ (1,493,827)**	**$ 9,232,029**
2021					
Patient care revenue, net:					
Medicare	$ —	$ 1,019,262	$ 10,504	$ —	$ 1,029,766
Medi-Cal	—	131,372	391,598	—	522,970
Managed care	—	4,720,044	1,537,861	—	6,257,905
Self pay and other	—	140,074	198,753	—	338,827
Physician services and support (see *Note 1*)	1,334,418	41,296	—	(1,375,714)	—
Total patient care revenue, net	1,334,418	6,052,048	2,138,716	(1,375,714)	8,149,468
Premium revenue	—	118,741	—	—	118,741
Other services and support	44,601	—	—	(11,254)	33,347
HEALTH CARE SERVICES REVENUE, NET	**$1,379,019**	**$6,170,789**	**$2,138,716**	**$ (1,386,968)**	**$ 8,301,556**

For the years ended August 31, 2022 and 2021, SHC recognized net health care services revenue adjustments of $6.1 million and $9.7 million, respectively, as a result of prior years' favorable and unfavorable developments related to reimbursement and appeals. LPCH had no significant adjustments to revenue for the years ended August 31, 2022 and 2021.

Charity Care and Community Benefits

SHC and LPCH provide charity care, free of charge, to vulnerable populations. SHC's estimated cost of providing charity care was $16.2 million and $19.2 million, and LPCH's estimated cost of providing charity care was $1.3 million and $809 thousand for the years ended August 31, 2022 and 2021, respectively. This cost is estimated by calculating a ratio of total costs to gross patient service charges at established rates, and then multiplying that ratio by gross uncompensated patient service charges at established rates associated with providing care to charity patients. SHC received $73 thousand and $444 thousand during the years ended August 31, 2022 and 2021, respectively, from contributions that were restricted for the care of indigent patients.

SHC and LPCH also provide services to other patients under the Medicare, Medi-Cal and other publicly sponsored programs, which reimburse at amounts less than the cost of the services provided to the recipients. Estimated costs in excess of reimbursements for the Medicare, Medi-Cal and other publicly sponsored programs for the years ended August 31, 2022 and 2021 were $1.7 billion and $1.5 billion for SHC, and $284.1 million and $216.6 million for LPCH, respectively.

Provider Fee

The State of California enacted legislation in 2013 which established a Hospital Quality Assurance Fee (QAF) Program and a Hospital Fee Program. These programs impose a provider fee on certain California general acute care hospitals that, combined with federal matching funds, is used to provide supplemental payments to certain hospitals and support the State's effort to maintain health care coverage for children. California's participation in these programs was made permanent by a ballot initiative passed in November 2016. Specific portions of the program covering the period from July 1, 2019 to December 31, 2021, have not yet been approved by the Centers for Medicare and Medicaid Services (CMS). Accordingly, any potential activity under unapproved programs related to July 1, 2019 through August 31, 2022 have not been recognized as revenue or expense in the *Consolidated Statements of Activities*.

Provider fee revenue is recorded in "Health care services" while provider fee expense is recorded in "Other operating expenses" in the *Consolidated Statements of Activities*. Provider fee revenue, net of expense, under the approved portions of the programs for the years ended August 31, in thousands of dollars, is as follows:

	SHC	LPCH	CONSOLIDATED
2022			
Revenue	$ 98,230	$ 93,730	$ 191,960
Expense	(54,850)	(24,127)	(78,977)
TOTAL	**$ 43,380**	**$ 69,603**	**$ 112,983**
2021			
Revenue	$ 46,008	$ 65,992	$ 112,000
Expense	(41,674)	(20,553)	(62,227)
TOTAL	**$ 4,334**	**$ 45,439**	**$ 49,773**

Deferred revenue and prepaid expense associated with unapproved programs will be recognized as revenue and expense upon CMS approval. Deferred revenue and prepaid expense as of August 31, 2022 and 2021, in thousands of dollars, is as follows:

	SHC	LPCH	CONSOLIDATED
2022			
Deferred revenue	$ 73,145	$ 86,628	$ 159,773
Prepaid expense	$ 44,121	$ 22,410	$ 66,531
2021			
Deferred revenue	$ 103,480	$ 108,884	$ 212,364
Prepaid expense	$ 54,639	$ 26,850	$ 81,489

13. Gifts and Pledges

Gifts and pledges reported for financial statement purposes are recorded on the accrual basis. The Office of Development (OOD), which is the primary fundraising agent for the University and SHC, reports total gifts based on contributions received in cash or property during the fiscal year. Lucile Packard Foundation for Children's Health (LPFCH) is the primary community fundraising agent for LPCH and the pediatric faculty and programs at the University's SOM. The following summarizes gifts and pledges reported for the years ended August 31, 2022 and 2021, per the *Consolidated Statements of Activities*, in thousands of dollars:

	UNIVERSITY	SHC	LPCH	ELIMINATIONS	CONSOLIDATED
2022					
Current year gifts in support of operations	$ 272,812	$ 247	$ 5,442	$ —	$ 278,501
Donor advised funds, net	34,611	—	—	—	34,611
Current year gifts not included in operations	5,053	—	—	—	5,053
Gifts and pledges, net - with donor restrictions	1,437,387	9,178	215,571	17,002	1,679,138
TOTAL	**$ 1,749,863**	**$ 9,425**	**$221,013**	**$ 17,002**	**$ 1,997,303**
2021					
Current year gifts in support of operations	$ 288,110	$ 204	$ 5,401	$ —	$ 293,715
Donor advised funds, net	3,395	—	—	—	3,395
Current year gifts not included in operations	408	—	—	—	408
Gifts and pledges, net - with donor restrictions	998,134	34,860	154,780	(83,697)	1,104,077
TOTAL	**$ 1,290,047**	**$ 35,064**	**$160,181**	**$ (83,697)**	**$ 1,401,595**

14. Functional Expenses

Expenses are presented by functional classification in alignment with Stanford's mission of teaching, research and health care.

Major functional categories consist of the following:

- **Instruction and departmental research** includes teaching and internally funded research expenses.
- **Organized research - direct costs** include sponsored support costs.
- **Health care services** include patient care provided by SHC, LPCH, SOM faculty, and other health care related activities.
- **Auxiliary activities** include housing and dining services, intercollegiate athletics, Stanford Alumni Association, and other activities.
- **SLAC construction** includes the costs associated with major projects and facilities at the SLAC National Accelerator Laboratory.

Natural expenses attributable to more than one functional expense category are allocated using a variety of cost allocation techniques such as square footage and time and effort. Depreciation and facility operations and maintenance expenses are allocated to the functional categories directly or based on the square footage occupancy. Salaries and benefits expenses are allocated to functional categories directly based on time and effort incurred.

Expenses by functional and natural classification for the years ended August 31, 2022 and 2021, in thousands of dollars, are as follows:

	SALARIES AND BENEFITS	DEPRECIATION	OTHER OPERATING EXPENSES	TOTAL OPERATING EXPENSES
2022				
UNIVERSITY				
Instruction and departmental research	$ 1,635,655	$ 141,514	$ 636,365	$ 2,413,534
Organized research - direct costs	850,822	78,024	507,624	1,436,470
Health care services	1,014,285	4,546	20,073	1,038,904
Auxiliary activities	164,366	125,517	322,156	612,039
Administration and general	291,809	55,019	218,453	565,281
Student services	192,248	7,186	149,707	349,141
Libraries	71,936	71,196	52,138	195,270
Development	96,514	4,507	18,271	119,292
SLAC construction	55,549	—	53,592	109,141
TOTAL EXPENSES	**4,373,184**	**487,509**	**1,978,379**	**6,839,072**
SHC				
Health care services	3,097,671	252,056	3,048,541	6,398,268
Administration and general	245,898	17,827	216,894	480,619
Development	1,351	—	14,136	15,487
TOTAL EXPENSES	**3,344,920**	**269,883**	**3,279,571**	**6,894,374**
LPCH				
Health care services	1,044,197	87,632	966,880	2,098,709
Administration and general	101,339	6,263	123,948	231,550
Development	18,229	531	8,804	27,564
TOTAL EXPENSES	**1,163,765**	**94,426**	**1,099,632**	**2,357,823**
ELIMINATIONS				
Health care services	—	—	(1,458,095)	(1,458,095)
Administration and general	—	—	(34,814)	(34,814)
Development	—	—	(918)	(918)
TOTAL ELIMINATIONS	**—**	**—**	**(1,493,827)**	**(1,493,827)**
CONSOLIDATED				
Instruction and departmental research	1,635,655	141,514	636,365	2,413,534
Organized research - direct costs	850,822	78,024	507,624	1,436,470
Health care services	5,156,153	344,234	2,577,399	8,077,786
Auxiliary activities	164,366	125,517	322,156	612,039
Administration and general	639,046	79,109	524,481	1,242,636
Student services	192,248	7,186	149,707	349,141
Libraries	71,936	71,196	52,138	195,270
Development	116,094	5,038	40,293	161,425
SLAC construction	55,549	—	53,592	109,141
TOTAL EXPENSES	**$ 8,881,869**	**$ 851,818**	**$ 4,863,755**	**$ 14,597,442**

	SALARIES AND BENEFITS	DEPRECIATION	OTHER OPERATING EXPENSES	TOTAL EXPENSES
2021				
UNIVERSITY				
Instruction and departmental research	$ 1,466,994	$ 127,426	$ 471,731	$ 2,066,151
Organized research - direct costs	787,963	75,607	485,473	1,349,043
Health care services	896,547	4,507	14,766	915,820
Auxiliary activities	147,226	125,069	276,614	548,909
Administration and general	348,890	56,052	171,942	576,884
Student services	181,233	6,501	149,351	337,085
Libraries	70,551	70,676	54,463	195,690
Development	84,716	4,346	12,262	101,324
SLAC construction	56,909	—	52,488	109,397
TOTAL EXPENSES	**4,041,029**	**470,184**	**1,689,090**	**6,200,303**
SHC				
Health care services	2,571,957	267,791	2,790,439	5,630,187
Administration and general	240,173	19,359	205,258	464,790
Development	1,092	—	12,795	13,887
TOTAL EXPENSES	**2,813,222**	**287,150**	**3,008,492**	**6,108,864**
LPCH				
Health care services	906,298	101,400	957,797	1,965,495
Administration and general	102,374	7,059	80,861	190,294
Development	14,538	882	9,369	24,789
TOTAL EXPENSES	**1,023,210**	**109,341**	**1,048,027**	**2,180,578**
ELIMINATIONS				
Instruction and departmental research	—	—	(9,209)	(9,209)
Health care services	—	—	(1,332,825)	(1,332,825)
Administration and general	—	—	(41,537)	(41,537)
Development	—	—	(12,606)	(12,606)
TOTAL ELIMINATIONS	**—**	**—**	**(1,396,177)**	**(1,396,177)**
CONSOLIDATED				
Instruction and departmental research	1,466,994	127,426	462,522	2,056,942
Organized research - direct costs	787,963	75,607	485,473	1,349,043
Health care services	4,374,802	373,698	2,430,177	7,178,677
Auxiliary activities	147,226	125,069	276,614	548,909
Administration and general	691,437	82,470	416,524	1,190,431
Student services	181,233	6,501	149,351	337,085
Libraries	70,551	70,676	54,463	195,690
Development	100,346	5,228	21,820	127,394
SLAC construction	56,909	—	52,488	109,397
TOTAL EXPENSES	**$ 7,877,461**	**$ 866,675**	**$ 4,349,432**	**$ 13,093,568**

15. University Retirement Plans

The University provides retirement benefits through both defined contribution and defined benefit retirement plans for substantially all of its employees.

DEFINED CONTRIBUTION PLAN

The University offers a defined contribution plan to eligible faculty and staff through the *Stanford Contributory Retirement Plan* (SCRP). Employer contributions are based on a percentage of participant annual compensation, participant contributions and years of service. University and participant contributions are primarily invested in annuities and mutual funds. University contributions under the SCRP, which are vested immediately to participants, were approximately $212.0 million and $197.6 million for the years ended August 31, 2022 and 2021, respectively.

DEFINED BENEFIT PLANS

The University provides retirement and postretirement medical and other benefits through the *Staff Retirement Annuity Plan*, the *Faculty Retirement Incentive Program*, and the *Postretirement Benefit Plan* (the "Plans"). The obligations for the Plans, net of plan assets, are recorded in the *Consolidated Statements of Financial Position* as "Accrued pension and postretirement benefit obligations." These plans are described in more detail below.

Staff Retirement Annuity Plan

Retirement benefits for certain employees are provided through the *Staff Retirement Annuity Plan* (SRAP), a noncontributory plan. While the SRAP is closed to new participants, certain employees continue to accrue benefits. Contributions to the plan are made in accordance with the Employee Retirement Income Security Act (ERISA) based on actuarially determined amounts sufficient to meet the benefits to be paid to plan participants.

Faculty Retirement Incentive Program

The University provides a retirement incentive bonus for eligible faculty through the University *Faculty Retirement Incentive Program* (FRIP). The University's faculty may become eligible for the FRIP program if they commit to retire within a designated window of time. At August 31, 2022 and 2021, there were no program assets. The University funds benefit payouts as they are incurred.

Postretirement Benefit Plan

The University provides health care benefits for retired employees through its *Postretirement Benefit Plan* (PRBP). The University's employees and their covered dependents may become eligible for the PRBP upon the employee's retirement and meeting specific years of service and age criteria. Retiree health plans are paid for, in part, by retiree contributions, which are adjusted annually. The University's subsidy varies depending on whether the retiree is covered under the grandfathered design or the defined dollar benefit design. Medicare supplement options are provided for retirees over age 65.

The change in the Plans' assets, the related change in benefit obligations and the amounts recognized in the financial statements, in thousands of dollars, are as follows:

	SRAP	FRIP	PRBP	TOTAL
2022				
Fair value of plan assets, beginning of year	$ 291,085	$ —	$ 337,058	$ 628,143
Change in plan assets:				
Actual return on plan assets	(54,551)	—	(59,394)	(113,945)
Employer contributions	—	10,449	4,365	14,814
Plan participants' contributions	—	—	17,655	17,655
Benefits and plan expenses paid	(20,334)	(10,449)	(43,533) *	(74,316)
Plan settlements	—	—	—	—
FAIR VALUE OF PLAN ASSETS, END OF YEAR	**216,200**	**—**	**256,151**	**472,351**
Benefit obligation, beginning of year	301,571	187,773	652,259	1,141,603
Change in projected benefit obligation:				
Service cost	1,084	11,704	23,913	36,701
Interest cost	6,684	4,403	17,146	28,233
Plan participants' contributions	—	—	17,655	17,655
Actuarial gain	(49,811)	(32,877)	(152,017)	(234,705)
Benefits and plan expenses paid	(20,334)	(10,449)	(43,533) *	(74,316)
BENEFIT OBLIGATION, END OF YEAR	**239,194**	**160,554**	**515,423**	**915,171**
NET LIABILITY RECOGNIZED IN THE *STATEMENTS OF FINANCIAL POSITION*	**$ (22,994)**	**$ (160,554)**	**$ (259,272)**	**$ (442,820)**
** Net of Medicare subsidy of $1.8 million*				
2021				
Fair value of plan assets, beginning of year	$ 282,867	$ —	$ 291,126	$ 573,993
Change in plan assets:				
Actual return on plan assets	30,779	—	60,019	90,798
Employer contributions	—	9,148	10,723	19,871
Plan participants' contributions	—	—	15,348	15,348
Benefits and plan expenses paid	(12,788)	(9,148)	(40,158) *	(62,094)
Plan settlements	(9,773)	—	—	(9,773)
FAIR VALUE OF PLAN ASSETS, END OF YEAR	**291,085**	**—**	**337,058**	**628,143**
Benefit obligation, beginning of year	318,081	191,691	662,172	1,171,944
Change in projected benefit obligation:				
Service cost	1,361	12,180	23,313	36,854
Interest cost	6,615	4,182	16,877	27,674
Plan participants' contributions	—	—	15,348	15,348
Plan settlements	(9,773)	—	—	(9,773)
Actuarial gain	(1,925)	(11,132)	(25,293)	(38,350)
Benefits and plan expenses paid	(12,788)	(9,148)	(40,158) *	(62,094)
BENEFIT OBLIGATION, END OF YEAR	**301,571**	**187,773**	**652,259**	**1,141,603**
NET LIABILITY RECOGNIZED IN THE *STATEMENTS OF FINANCIAL POSITION*	**$ (10,486)**	**$ (187,773)**	**$ (315,201)**	**$ (513,460)**
** Net of Medicare subsidy of $1.1 million*				

The accumulated benefit obligation for the SRAP was $238.6 million and $300.8 million at August 31, 2022 and 2021, respectively.

CHANGES IN NET BENEFIT OBLIGATION

During fiscal year 2022, the Plans experienced decreases in the net benefit obligation. The primary drivers for the decreases were actuarial gains due to discount rate increases offset by lower returns on plan assets.

Net periodic benefit expense and non-operating activities related to the Plans for the years ended August 31, 2022 and 2021, in thousands of dollars, includes the following components:

	SRAP	FRIP	PRBP	TOTAL
2022				
Service cost	$ 1,084	$ 11,704	$ 23,913	$ 36,701
PERIODIC BENEFIT EXPENSE	**1,084**	**11,704**	**23,913**	**36,701**
Non-operating:				
Interest cost	6,684	4,403	17,146	28,233
Expected return on plan assets	(13,742)	—	(20,223)	(33,965)
Amortization of:				
Prior service cost	850	—	373	1,223
Non-operating periodic benefit cost	(6,208)	4,403	(2,704)	(4,509)
NET PERIODIC BENEFIT COST[1]	**(5,124)**	**16,107**	**21,209**	**32,192**
Non-operating periodic benefit cost	(6,208)	4,403	(2,704)	(4,509)
Net actuarial loss (gain)	18,482	(32,877)	(72,400)	(86,795)
Amortization of:				
Prior service cost	(850)	—	(373)	(1,223)
TOTAL AMOUNTS RECOGNIZED IN NON-OPERATING ACTIVITIES	**$ 11,424**	**$ (28,474)**	**$ (75,477)**	**$ (92,527)**
2021				
Service cost	$ 1,361	$ 12,180	$ 23,313	$ 36,854
PERIODIC BENEFIT EXPENSE	**1,361**	**12,180**	**23,313**	**36,854**
Non-operating:				
Interest cost	6,615	4,182	16,877	27,674
Expected return on plan assets	(12,055)	—	(17,468)	(29,523)
Amortization of:				
Prior service cost	850	—	373	1,223
Actuarial loss	654	—	—	654
Settlement loss	794	—	—	794
Non-operating periodic benefit cost	(3,142)	4,182	(218)	822
NET PERIODIC BENEFIT COST[1]	**(1,781)**	**16,362**	**23,095**	**37,676**
Non-operating periodic benefit cost	(3,142)	4,182	(218)	822
Net actuarial gain	(20,649)	(11,132)	(67,844)	(99,625)
Amortization of:				
Prior service cost	(850)	—	(373)	(1,223)
Actuarial loss	(654)	—	—	(654)
Settlement loss	(794)	—	—	(794)
TOTAL AMOUNTS RECOGNIZED IN NON-OPERATING ACTIVITIES	**$ (26,089)**	**$ (6,950)**	**$ (68,435)**	**$ (101,474)**

[1]The components of net periodic benefit cost other than service cost are included in "Pension and other postemployment benefit related changes other than service cost" in the Statement of Activities.

Cumulative amounts recognized in non-operating activities, but not yet recognized in net periodic benefit cost in the *Consolidated Statements of Activities*, are presented in the following table for the years ended August 31, 2022 and 2021, in thousands of dollars:

	SRAP	FRIP	PRBP	TOTAL
2022				
Prior service cost	$ 2,980	$ —	$ 2,127	$ 5,107
Net actuarial loss (gain)	42,992	(28,135)	(85,933)	(71,076)
ACCUMULATED PLAN BENEFIT COSTS NOT YET RECOGNIZED IN NET PERIODIC BENEFIT COST	**$ 45,972**	**$ (28,135)**	**$ (83,806)**	**$ (65,969)**
2021				
Prior service cost	$ 3,830	$ —	$ 2,500	$ 6,330
Net actuarial loss (gain)	24,510	4,742	(13,533)	15,719
ACCUMULATED PLAN BENEFIT COSTS NOT YET RECOGNIZED IN NET PERIODIC BENEFIT COST	**$ 28,340**	**$ 4,742**	**$ (11,033)**	**$ 22,049**

ACTUARIAL ASSUMPTIONS

The weighted average assumptions used to determine the benefit obligations and net periodic benefit cost for the Plans are shown below:

	SRAP		FRIP		PRBP	
	2022	2021	2022	2021	2022	2021
BENEFIT OBLIGATIONS						
Discount rate	4.66%	2.34%	4.71%	2.43%	4.65%	2.67%
Covered payroll growth rate	3.00%	3.00%	4.80%	4.80%	N/A	N/A
NET PERIODIC BENEFIT COST						
Discount rate	2.34%	2.18%	2.43%	2.26%	2.67%	2.59%
Expected returns on plan assets	5.00%	4.50%	N/A	N/A	6.00%	6.00%
Covered payroll growth rate	3.00%	3.00%	4.80%	4.79%	N/A	N/A

The expected long-term rate of return on asset assumptions for the SRAP and PRBP plans is 5.00% and 6.50%, respectively. The assumption is used in determining the expected returns on plan assets, a component of net periodic benefit expense (income), representing the expected return for the upcoming fiscal year on plan assets. This assumption is developed based on future expectations for returns in each asset class, as well as the target asset allocation of the portfolios. The use of expected long-term returns on plan assets may result in income that is greater or less than the actual returns of those plan assets in any given year. Over time, however, the expected long-term returns are designed to approximate the actual long-term returns, and therefore result in a pattern of income and cost recognition that more closely matches the pattern of the services provided by the employees. Differences between actual and expected returns are recognized as a component of non-operating activities and amortized as a component of net periodic benefit expense (income) over the service or life expectancy of the plan participants, depending on the plan, provided such amounts exceed the accounting standards threshold.

To determine the accumulated PRBP obligation at August 31, 2022, a 7.90%, 5.60% and 4.50% annual rate of increase in the cost of covered health care for Medical Pre-65, Medical Post-65, and Part D, respectively, was assumed for calendar year 2022 with all three rates declining gradually to 4.00% by 2046 and remaining at this rate thereafter.

EXPECTED CONTRIBUTIONS

The University expects to contribute $14.9 million to the FRIP, $20.7 million to the PRBP, and does not expect to contribute to the SRAP during the fiscal year ending August 31, 2023.

EXPECTED BENEFIT PAYMENTS

The following benefit payments, which reflect expected future service, are expected to be paid for the years ending August 31, in thousands of dollars:

			PRBP	
YEAR ENDING AUGUST 31	SRAP	FRIP	EXCLUDING MEDICARE SUBSIDY	EXPECTED MEDICARE PART D SUBSIDY
2023	$ 31,115	$ 14,866	$ 22,819	$ 2,142
2024	20,010	15,807	24,111	2,239
2025	19,147	12,307	25,479	2,305
2026	18,969	10,102	26,899	2,371
2027	17,794	10,462	28,303	2,465
2028 - 2032	77,707	60,559	162,976	13,779

INVESTMENT STRATEGY

The University's Retirement Program Investment Committee, acting in a fiduciary capacity, has established formal investment policies for the assets associated with the University's funded plans (SRAP and PRBP). The investment strategy of the plans is to preserve and enhance the value of the plans' assets within acceptable levels of risk. Investments in the plans are diversified among asset classes, striving to achieve an optimal balance between risk and return, and income and capital appreciation. Because the liabilities of each of the plans are long-term, the investment horizon is primarily long-term, with adequate liquidity to meet short-term benefit payment obligations.

CONCENTRATION OF RISK

The University manages a variety of risks, including market, credit, and liquidity risks, across its plan assets. Concentration of risk is defined as an undiversified exposure to one of the above-mentioned risks that increases the exposure of the loss of plan assets unnecessarily. Risk is minimized by predominately investing in broadly diversified index funds for public equities and fixed income. As of August 31, 2022, the University did not have concentrations of risk in any single entity, counterparty, sector, industry or country.

PLAN ASSETS AND ALLOCATIONS

Current U.S. GAAP defines a hierarchy of valuation inputs for the determination of the fair value of plan assets as described in *Note 6*. As of August 31, 2022 and 2021, all of the assets of the PRBP and substantially all of the assets of the SRAP were categorized as Level 1 investments. The fair value of plan assets by asset category, in thousands of dollars, at August 31, 2022 and 2021 and actual allocations and weighted-average target allocations at August 31, 2022 are as follows:

	2022	2021	2022 ACTUAL ALLOCATION	2022 TARGET ALLOCATION
SRAP:				
Cash and cash equivalents	$ 1,666	$ 1,403	1%	0%
Public equities	94,677	128,763	44%	45%
Fixed income	119,842	160,900	55%	55%
Private equities	15	19	<1%	0%
TOTAL	**216,200**	**291,085**	**100%**	**100%**
PRBP:				
Public equities	190,149	254,394	74%	74%
Fixed income	66,002	82,664	26%	26%
TOTAL	**256,151**	**337,058**	**100%**	**100%**
TOTAL PLAN ASSETS AT FAIR VALUE	**$ 472,351**	**$ 628,143**		

16. SHC and LPCH Retirement Plans

SHC and LPCH provide retirement benefits through defined benefit and defined contribution retirement plans covering substantially all of its regular employees.

DEFINED CONTRIBUTION PLAN

The Hospitals offer a defined contribution plan to eligible employees. Employer contributions to the defined contribution retirement plan are based on a percentage of participant annual compensation, participant contributions and years of service. SHC and LPCH contributions under the plan, which are vested immediately to participants, were approximately $164.8 million and $141.2 million, and $64.7 million and $55.8 million for the years ended August 31, 2022 and 2021, respectively.

DEFINED BENEFIT PLANS

The Hospitals provide retirement and postretirement medical benefits through the SHC *Staff Pension Plan*, the SHC *Postretirement Medical Benefit Plan*, and the LPCH *Frozen Pension Plan*, collectively (the "Plans"). The obligations for the Plans, net of plan assets, are recorded in the *Consolidated Statements of Financial Position* as "Accrued pension and postretirement benefit obligations." These plans are described in more detail below.

Staff Pension Plan

Certain employees of SHC and LPCH are covered by the SHC *Staff Pension Plan* (the "Pension Plan"), a noncontributory, defined benefit pension plan. While the Pension Plan is closed to new participants, certain employees continue to accrue benefits. Benefits are based on years of service and the employee's compensation. Contributions to the plan are made in accordance with ERISA based on actuarially determined amounts sufficient to meet the benefits to be paid to plan participants. SHC and LPCH have an arrangement whereby SHC assumes the pension liability of the LPCH employees and previously leased employees. However, LPCH is required to reimburse SHC for the annual expense incurred for these employees and previously leased employees.

Postretirement Medical Benefit Plan

SHC and LPCH provide health care benefits for certain retired employees through the SHC *Postretirement Medical Benefit Plan* (PRMB). The Hospitals' employees and their covered dependents may become eligible for the PRMB upon the employee's retirement as early as age 55, with years of service as defined by specific criteria. Retiree health plans are paid, in part, by retiree contributions, which are adjusted annually. The Hospitals' subsidies vary depending on whether the retiree is covered under the grandfathered design or the defined dollar benefit design. Medicare supplement options are provided for retirees over age 65. LPCH reimburses SHC for costs related to this plan on a periodic basis.

Frozen Pension Plan

Certain other LPCH employees and previously leased employees not covered by the previously described plans are covered by a frozen noncontributory defined benefit pension plan (the "LPCH Frozen Pension Plan"). Benefits are based on years of service and the employee's compensation. Contributions to the plan are based on actuarially determined amounts sufficient to meet the benefits to be paid to plan participants. In November 2020, the LPCH Board of Directors approved a resolution to terminate the LPCH Frozen Pension Plan. As of August 2022, the LPCH Frozen Pension Plan was fully settled, and all benefit obligations released. Plan participants elected to receive either a lump-sum distribution or to transfer benefits to a third-party annuity provider. A handful of missing participants were also transferred to the Pension Guarantee Benefit Corporation. As a result of the settlement, LPCH was relieved of any further obligations under the pension plan. During the year ended August 31, 2022, pension settlement charges totaling $1.9 million were recognized, consisting of unrecognized actuarial losses previously included in the adjustment for minimum pension liability. No cash contributions were required during the fiscal year in connection with the plan termination.

The change in the Plans' assets, the related change in benefit obligations and the amounts recognized in the financial statements, in thousands of dollars, are as follows:

	STAFF PENSION PLAN	PRMB	LPCH FROZEN PENSION PLAN
2022			
Fair value of plan assets, beginning of year	$ 213,366	$ —	$ 7,501
Change in plan assets:			
Actual return on plan assets	(37,941)	—	(246)
Employer contributions	—	6,244	—
Plan participants' contributions	—	1,489	—
Benefits and plan expenses paid	(10,831)	(7,733) *	(530)
Plan settlements	—	—	(6,712)
FAIR VALUE OF PLAN ASSETS, END OF YEAR	**164,594**	**—**	**13**
Benefit obligation, beginning of year	213,136	116,620	7,502
Change in projected benefit obligation:			
Service cost	1,104	5,156	150
Interest cost	5,097	2,700	44
Plan participants' contributions	—	1,489	—
Actuarial gain	(41,489)	(23,211)	(454)
Benefits and plan expenses paid	(10,831)	(7,733) *	(530)
Plan amendments	—	22,245	—
Plan settlements	—	—	(6,712)
BENEFIT OBLIGATION, END OF YEAR	**167,017**	**117,266**	**—**
NET ASSET (LIABILITY) RECOGNIZED IN THE *STATEMENTS OF FINANCIAL POSITION*	**$ (2,423)**	**$ (117,266)**	**$ 13**
** Net of Medicare subsidy of $98 thousand*			
2021			
Fair value of plan assets, beginning of year	$ 210,752	$ —	$ 8,319
Change in plan assets:			
Actual return on plan assets	13,438	—	(219)
Employer contributions	—	5,632	—
Plan participants' contributions	—	1,251	—
Benefits and plan expenses paid	(10,824)	(6,883) *	(599)
FAIR VALUE OF PLAN ASSETS, END OF YEAR	**213,366**	**—**	**7,501**
Benefit obligation, beginning of year	219,407	113,212	8,380
Change in projected benefit obligation:			
Service cost	1,083	4,829	—
Interest cost	4,978	2,388	176
Plan participants' contributions	—	1,251	—
Actuarial loss (gain)	(1,508)	1,823	(455)
Benefits and plan expenses paid	(10,824)	(6,883) *	(599)
BENEFIT OBLIGATION, END OF YEAR	**213,136**	**116,620**	**7,502**
NET ASSET (LIABILITY) RECOGNIZED IN THE STATEMENTS OF FINANCIAL POSITION	**$ 230**	**$ (116,620)**	**$ (1)**
** Net of Medicare subsidy of $106 thousand*			

The net liability for the PRMB includes amounts for both SHC and LPCH employees and is recognized on the Hospitals' respective *Statements of Financial Position*. The table below presents the plan obligations for each entity as of August 31, 2022 and 2021, in thousands of dollars:

	2022	2021
SHC	$ 86,276	$ 86,856
LPCH	30,990	29,764
TOTAL	**$ 117,266**	**$ 116,620**

The accumulated benefit obligation for the Pension Plan and LPCH Frozen Pension Plan was $166.1 million and $211.3 million, and $0 and $7.5 million at August 31, 2022 and 2021, respectively.

CHANGES IN NET BENEFIT OBLIGATION

The Hospital's net benefit obligation decreased during fiscal year 2022 due to an increase in the discount rate from 2.46% to 4.68%.

Net periodic benefit cost and non-operating activities related to the Plans for the years ended August 31, 2022 and 2021, in thousands of dollars, includes the following components:

	STAFF PENSION PLAN	PRMB	LPCH FROZEN PENSION PLAN
2022			
Service cost	$ 1,104	$ 5,156	$ 150
PERIODIC BENEFIT EXPENSE	**1,104**	**5,156**	**150**
Non-operating:			
Interest cost	5,097	2,700	44
Expected return on plan assets	(7,627)	—	(54)
Amortization of:			
Prior service cost	—	2,415	—
Actuarial loss	2,027	167	45
Settlement loss	—	—	1,905
Non-operating net periodic benefit cost (income)	(503)	5,282	1,940
NET PERIODIC BENEFIT COST[1]	**601**	**10,438**	**2,090**
Non-operating net periodic benefit cost	(503)	5,282	1,940
Net actuarial loss (gain)	4,079	(23,211)	(189)
New prior service cost	—	22,245	—
Amortization of:			
Prior service cost	—	(2,415)	—
Actuarial loss	(2,027)	(167)	(45)
Settlement loss	—	—	(1,905)
TOTAL AMOUNTS RECOGNIZED IN NON-OPERATING ACTIVITIES	**$ 1,549**	**$ 1,734**	**$ (199)**
2021			
Service cost	$ 1,083	$ 4,829	$ —
PERIODIC BENEFIT EXPENSE	**1,083**	**4,829**	**—**
Non-operating:			
Interest cost	4,978	2,388	176
Expected return on plan assets	(9,270)	—	(239)
Amortization of:			
Prior service cost	—	2,976	—
Actuarial loss	2,408	68	112
Non-operating net periodic benefit cost (income)	(1,884)	5,432	49
NET PERIODIC BENEFIT COST[1]	**(801)**	**10,261**	**49**
Non-operating net periodic benefit cost (income)	(1,884)	5,432	49
Net actuarial loss (gain)	(5,676)	1,823	3
Amortization of:			
Prior service cost	—	(2,976)	—
Actuarial loss	(2,408)	(68)	(112)
TOTAL AMOUNTS RECOGNIZED IN NON-OPERATING ACTIVITIES	**$ (9,968)**	**$ 4,211**	**$ (60)**

[1]The components of net periodic benefit cost other than service cost are included in "Pension and other postemployment benefit related changes other than service cost" in the Statements of Activities.

The net periodic benefit cost and amounts recognized in non-operating activities for the PRMB include amounts for both SHC and LPCH employees and is recognized on the Hospitals' respective *Statements of Activities*. The table below presents the amount for each entity as of August 31, 2022 and 2021, in thousands of dollars:

	SHC	LPCH	TOTAL
2022			
Net periodic benefit cost	$ 7,497	$ 2,941	$ 10,438
Amounts recognized in non-operating activities	(3,746)	198	(3,548)
TOTAL AMOUNT RECOGNIZED IN NET PERIODIC BENEFIT COST AND NON-OPERATING ACTIVITIES	**$ 3,751**	**$ 3,139**	**$ 6,890**
2021			
Net periodic benefit cost	$ 7,359	$ 2,902	$ 10,261
Amounts recognized in non-operating activities	(1,312)	91	(1,221)
TOTAL AMOUNT RECOGNIZED IN NET PERIODIC BENEFIT COST AND NON-OPERATING ACTIVITIES	**$ 6,047**	**$ 2,993**	**$ 9,040**

Cumulative amounts recognized in non-operating activities, but not yet recognized in net periodic benefit cost in the *Consolidated Statements of Activities*, are presented in the following table for the years ended August 31, 2022 and 2021, in thousands of dollars:

	STAFF PENSION PLAN	PRMB	LPCH FROZEN PENSION PLAN
2022			
Prior service cost	$ —	$ 37,146	$ —
Net actuarial loss (gain)	52,677	(20,517)	—
ACCUMULATED PLAN BENEFIT COSTS NOT YET RECOGNIZED IN NET PERIODIC BENEFIT COST	**$ 52,677**	**$ 16,629**	**$ —**
2021			
Prior service cost	$ —	$ 17,316	$ —
Net actuarial loss	50,625	2,861	2,095
ACCUMULATED PLAN BENEFIT COSTS NOT YET RECOGNIZED IN NET PERIODIC BENEFIT COST	**$ 50,625**	**$ 20,177**	**$ 2,095**

ACTUARIAL ASSUMPTIONS

The weighted average assumptions used to determine the benefit obligations and net periodic benefit cost for the Plans are shown below:

	STAFF PENSION PLAN		PRMB		LPCH FROZEN PENSION PLAN	
	2022	2021	2022	2021	2022	2021
BENEFIT OBLIGATIONS						
Discount rate	4.68%	2.46%	4.69%	2.39%	N/A	2.34 %
Covered payroll growth rate	3.00%	3.00%	N/A	N/A	N/A	N/A
NET PERIODIC BENEFIT COST						
Discount rate	2.46%	2.33%	2.39%	2.18%	2.34%	2.19 %
Expected return on plan assets	4.00%	5.00%	N/A	N/A	3.00%	3.00 %
Covered payroll growth rate	3.00%	3.00%	N/A	N/A	N/A	N/A

The expected long-term rate of return on asset assumptions for the Pension Plan and LPCH Frozen Pension Plan are 4.00% and 3.00%, respectively. The assumption is used in determining the expected returns on plan assets, a component of net periodic benefit expense (income), representing the expected return for the upcoming fiscal year on plan assets based on the calculated market-related value of plan assets. This assumption is developed based on future expectations for returns in each asset class, as well as the target asset allocation of the portfolios. The use of expected long-term returns on plan assets may result in income that is greater or less than the actual returns of those plan assets in any given year. Over time, however, the expected long-term returns are designed to approximate the actual long-term returns, and therefore result in a pattern of income and cost recognition that more closely matches the pattern of the services provided by the employees. Differences between actual and expected returns are recognized as a component of non-operating activities and amortized as a component of net periodic benefit expense (income) over the service or life expectancy of the plan participants, depending on the plan, provided such amounts exceed the accounting standards threshold.

To determine the accumulated PRMB obligation at August 31, 2022, a 5.60% for Medical Pre-65 and 7.15% for Medical Post-65 annual rates of increase in the per capita cost of covered health care were assumed for calendar year 2022, declining gradually to 4.00% by 2038 and remaining at this rate thereafter.

EXPECTED CONTRIBUTIONS

SHC expects to contribute $5.7 million to the PRMB and does not expect to contribute to the Pension Plan during the fiscal year ending August 31, 2023.

EXPECTED BENEFIT PAYMENTS

The following benefit payments, which reflect expected future service, are expected to be paid for the fiscal years ending August 31, in thousands of dollars:

		PRMB	
YEAR ENDING AUGUST 31	STAFF PENSION PLAN	EXCLUDING MEDICARE SUBSIDY	EXPECTED MEDICARE PART D SUBSIDY
2023	$ 12,103	$ 7,802	$ 235
2024	12,296	8,045	107
2025	12,449	8,398	101
2026	12,543	8,732	95
2027	12,528	9,051	89
2028 - 2032	60,732	50,345	340

INVESTMENT STRATEGY

SHC's and LPCH's investment strategies for the Pension Plan is to maximize the total rate of return (income and appreciation) within the limits of prudent risk taking and Section 404 of ERISA. The funds are diversified across asset classes to achieve an optimal balance between risk and return and between income and capital appreciation. Because the liabilities of each of the plans are long-term, the investment horizon is primarily long-term, with adequate liquidity to meet short-term benefit payment obligations. As of August 31, 2022, the LPCH Frozen Pension Plan was terminated.

CONCENTRATION OF RISK

SHC and LPCH manage a variety of risks, including market, credit, and liquidity risks, across its plan assets. Concentration of risk is defined as an undiversified exposure to one of the above-mentioned risks that increases the exposure of the loss of plan assets unnecessarily. Risk is minimized by diversifying the Hospitals' exposure to such risks across a variety of instruments, markets, and counterparties. As of August 31, 2022, the Hospitals did not have concentrations of risk in any single entity, counterparty, sector, industry or country.

PLAN ASSETS AND ALLOCATIONS

Current U.S. GAAP defines a hierarchy of valuation inputs for the determination of the fair value of plan assets as described in *Note 6*. The Plans' assets measured at fair value at August 31, 2022 and 2021, are all categorized as Level 1 investments. The fair value of plan assets by asset category, in thousands of dollars, at August 31, 2022 and 2021 and actual allocations and weighted-average target allocations at August 31, 2022 are as follows:

	2022	2021	2022 ACTUAL ALLOCATION	2022 TARGET ALLOCATION
STAFF PENSION PLAN:				
Cash and cash equivalents	$ 430	$ 426	<1%	—%
Public equities	16,406	21,335	10%	10%
Fixed income	147,758	191,605	90%	90%
PLAN ASSETS AT FAIR VALUE	**$ 164,594**	**$ 213,366**	**100%**	**100%**
LPCH FROZEN PENSION PLAN:				
Cash and cash equivalents	$ 13	$ 1,376	100%	—%
Fixed income	—	6,125	—%	—%
PLAN ASSETS AT FAIR VALUE	**$ 13**	**$ 7,501**	**100%**	**—%**

17. Leases

LESSEE

Stanford leases research and development facilities, office spaces, buses, and equipment under operating and finance leases expiring through November 2057. Under the accounting standard for leases, a lease conveys the right to control the use of an identified asset for a period of time in exchange for consideration. On the *Consolidated Statements of Financial Position*, "Right-of-use assets" represent Stanford's right to use an underlying asset for the lease term and "Lease liabilities" represent Stanford's obligation to make lease payments arising from the lease based on the present value of lease payments over the lease term. Lease liabilities do not include lease payments that were not fixed at commencement or lease modification. The lease terms may include options to extend or terminate the lease when it is reasonably certain that Stanford will exercise that option. The exercise of lease renewal options is at Stanford's sole discretion. Stanford uses an incremental borrowing rate for discounting leases, as applicable. Lease costs are included in "Other operating expenses" on the *Consolidated Statements of Activities*.

Supplemental information related to leases, in thousands of dollars, except lease term and discount rate, is as follows:

	UNIVERSITY	SHC	LPCH	ELIMINATIONS	CONSOLIDATED
2022					
Operating lease	$ 472,211	$ 247,560	$ 207,491	$ (129,930)	$ 797,332
Finance lease	241,040	12	—	—	241,052
TOTAL LEASE RIGHT-OF-USE ASSETS	**$ 713,251**	**$ 247,572**	**$ 207,491**	**$ (129,930)**	**$ 1,038,384**
Operating lease	$ 493,923	$ 261,321	$ 219,402	$ (129,930)	$ 844,716
Finance lease	249,257	13	—	—	249,270
TOTAL LEASE LIABILITY	**$ 743,180**	**$ 261,334**	**$ 219,402**	**$ (129,930)**	**$ 1,093,986**
Weighted-average remaining lease term:					
Operating lease	22.98 years	5.57 years	7.87 years		
Finance lease	26.55 years	0.17 years	N/A		
Weighted-average discount rate:					
Operating lease	2.38%	2.14%	2.19%		
Finance lease	2.59%	1.79%	N/A		

	UNIVERSITY	SHC	LPCH	ELIMINATIONS	CONSOLIDATED
2021					
Operating lease	$ 451,023	$ 292,506	$ 231,215	$ (146,081)	$ 828,663
Finance lease	170,768	82	—	—	170,850
TOTAL LEASE RIGHT-OF-USE ASSETS	**$ 621,791**	**$ 292,588**	**$ 231,215**	**$ (146,081)**	**$ 999,513**
Operating lease	$ 466,300	$ 312,210	$ 241,194	$ (146,081)	$ 873,623
Finance lease	173,906	89	—	—	173,995
TOTAL LEASE LIABILITY	**$ 640,206**	**$ 312,299**	**$ 241,194**	**$ (146,081)**	**$ 1,047,618**
Weighted-average remaining lease term:					
Operating lease	22.77 years	5.73 years	8.63 years		
Finance lease	22.66 years	1.17 years	N/A		
Weighted-average discount rate:					
Operating lease	2.24 %	2.02%	2.15 %		
Finance lease	2.45 %	1.79%	N/A		

The components of lease expenses, in thousands of dollars, are as follows:

	UNIVERSITY	SHC	LPCH	CONSOLIDATED
2022				
Operating lease cost	$ 56,698	$ 78,618	$ 37,589	$ 172,905
Finance lease cost:				
Amortization of leased assets	13,809	70	—	13,879
Interest on lease liabilities	4,715	1	—	4,716
Variable lease cost	4,287	10,936	6,784	22,007
Short-term lease cost	22,411	10,624	781	33,816
Sublease income	(11,936)	(2,801)	(6,808)	(21,545)
TOTAL LEASE COST	**$ 89,984**	**$ 97,448**	**$ 38,346**	**$ 225,778**
2021				
Operating lease cost	$ 60,129	$ 85,098	$ 36,578	$ 181,805
Finance lease cost:				
Amortization of leased assets	10,292	70	—	10,362
Interest on lease liabilities	3,326	2	—	3,328
Variable lease cost	3,392	16,023	6,194	25,609
Short-term lease cost	22,187	11,864	626	34,677
Sublease income	(7,775)	(5,323)	(6,931)	(20,029)
TOTAL LEASE COST	**$ 91,551**	**$ 107,734**	**$ 36,467**	**$ 235,752**

Supplemental cash flow information related to leases, in thousands of dollars, is as follows:

	UNIVERSITY	SHC	LPCH	CONSOLIDATED
2022				
Cash paid for amounts included in the measurement of lease liabilities:				
Operating cash flows from operating leases	$ 50,263	$ 83,180	$ 36,123	$ 169,566
Operating cash flows from finance leases	4,715	1	—	4,716
Financing cash flows from finance leases	8,729	76	—	8,805
Obtaining right-of-use assets in exchange for lease liabilities:				
Operating leases	$ 51,339	$ 27,892	$ 9,479	$ 88,710
Finance leases	84,126	—	—	84,126
2021				
Cash paid for amounts included in the measurement of lease liabilities:				
Operating cash flows from operating leases	$ 44,572	$ 86,352	$ 34,119	$ 165,043
Operating cash flows from finance leases	3,326	2	—	3,328
Financing cash flows from finance leases	7,749	75	—	7,824
Obtaining right-of-use assets in exchange for lease liabilities:				
Operating leases	$ 1,257	$ 30,858	$ 30,976	$ 63,091
Finance leases	3,443	—	—	3,443

Maturities of lease liabilities for periods subsequent to August 31, 2022, in thousands of dollars, are as follows:

	MATURITY OF LEASE LIABILITIES				
YEAR ENDING AUGUST 31	UNIVERSITY	SHC	LPCH	ELIMINATIONS	CONSOLIDATED
2023	$ 67,834	$ 78,497	$ 35,965	$ (18,493)	$ 163,803
2024	62,565	56,305	32,699	(18,917)	132,652
2025	54,300	39,507	28,997	(18,329)	104,475
2026	53,359	29,080	27,190	(17,465)	92,164
2027	53,451	21,935	23,089	(15,119)	83,356
Thereafter	808,524	53,783	92,147	(60,285)	894,169
TOTAL LEASE PAYMENTS	**1,100,033**	**279,107**	**240,087**	**(148,608)**	**1,470,619**
LESS IMPUTED INTEREST	**(356,853)**	**(17,773)**	**(20,685)**	**18,678**	**(376,633)**
TOTAL	**$ 743,180**	**$ 261,334**	**$ 219,402**	**$ (129,930)**	**$ 1,093,986**

LESSOR

Stanford holds investment properties that it leases to external parties under non-cancellable operating leases. Stanford receives minimum rental income over the life of the lease; however, certain of the leases include variable rental payments that are based on a percentage of the tenant sales in excess of contractual amount. Certain leases include options for lessee to extend or terminate the lease. The residual value from the underlying asset following the end of the lease term is based on independent appraisals and internal models that are based on discounted cash flows and market data, if available.

Rental income is recognized over time in accordance with the contractual term of the related lease agreements. Total rental income under these leases for the years ended August 31, 2022 and 2021 was $216.1 million and $183.5 million for the University, $2.8 million and $5.3 million for SHC, and $1.4 million and $1.6 million for LPCH, respectively.

18. Related Party Transactions

Members of the University, SHC, and LPCH boards and senior management may, from time to time, be associated, either directly or indirectly, with companies doing business with Stanford.

The University, SHC and LPCH have separate written conflict of interest policies that require, among other items, that no member of their respective board can participate in any decision in which he or she (or an immediate family member) has a material financial interest. Each board member is required to certify compliance with his or her respective entity's conflict of interest policy on an annual basis and indicate whether his or her respective entity does business with any entity in which the board member has a material financial interest. When such relationships exist, measures are taken to mitigate any actual or perceived conflict, including requiring that such transactions be conducted at arm's length, for good and sufficient consideration, based on terms that are fair and reasonable to and for the benefit of the respective entity, and in accordance with applicable conflict of interest laws and policies. No such associations are considered to be significant.

The University, SHC, and LPCH each requires its senior management to disclose annually any significant financial interests in, or employment or consulting relationships with, entities doing business with it. These annual disclosures cover both senior management and their immediate family members. When such relationships exist, measures are taken to appropriately manage the actual or perceived conflict in the best interests of the relevant entity. No such associations are considered to be significant.

19. Commitments and Contingencies

Management is of the opinion that none of the following commitments and contingencies will have a material adverse effect on Stanford's consolidated financial position.

SPONSORED SUPPORT

As described in *Note 1*, costs recovered by the University as sponsored support are subject to audit and adjustment. Fringe benefit costs for the fiscal years ended August 31, 2016 to 2022 are subject to audit. The University does not anticipate any material adjustments to the *Consolidated Financial Statements*.

HEALTH CARE

As described in *Note 12*, cost reports filed under the Medicare program for services based upon cost reimbursement are subject to audit. The estimated amounts due to or from the program are reviewed and adjusted annually based upon the status of such audits and subsequent appeals.

The health care industry is subject to numerous laws and regulations of federal, state and local governments. Compliance with these laws and regulations can be subject to future government review and interpretation, as well as to regulatory actions unknown or unasserted at this time. Government activity with respect to investigations and allegations concerning possible violations of regulations by health care providers could result in the imposition of significant fines and penalties, as well as significant repayments for patient services previously billed. SHC and LPCH are subject to similar regulatory reviews, and while such reviews may result in repayments and civil remedies that could have a material effect on their respective financial results of operations in a given period, SHC's and LPCH's management believes that such repayments and civil remedies would not have a material effect on the financial position of SHC and LPCH, respectively.

INFORMATION PRIVACY AND SECURITY

As with many medical centers and universities across the country, information privacy and security is a significant enterprise risk area, owing to persistent and pervasive cyber threats along with expanding regulatory compliance obligations and enforcement. The University, SHC and LPCH have programs in place to safeguard important systems and protected information, yet significant incidents have occurred in the past and may occur in the future involving potential or actual disclosure of such information (including, for example, personally identifiable information relating to employees, students, patients or research participants). In most cases, there has been no evidence of unauthorized access to, or use/disclosure of, such information, yet privacy laws may require reporting to potentially affected individuals as well as federal, state and international governmental agencies. Governmental agencies have the authority to investigate and request further information about an incident or safeguards, to cite the University, SHC or LPCH for a deficiency or regulatory violation, and/or require payment of fines, corrective action, or both. California law also allows a private right to sue for a breach of medical information. To date, the cost of such possible consequences has not been material to the University, SHC or LPCH, and management does not believe that any future consequences of these identified incidents will be material to the *Consolidated Financial Statements*.

LABOR AGREEMENTS

Approximately 7% of the University's, 33% of SHC's and 43% of LPCH's employees are covered under union contract arrangements and are, therefore, subject to labor stoppages when contracts expire. The University's agreement with the Service Employees International Union (SEIU) will expire in 2024 and the agreement with the Stanford Deputy Sheriffs' Association will expire in 2026. SHC's and LPCH's agreements with SEIU will expire in 2023 and the agreements with the Committee for Recognition of Nursing Achievement (CRONA) will expire in 2025.

GUARANTEES AND INDEMNIFICATIONS

Stanford enters into indemnification agreements with third parties in the normal course of business. The impact of these agreements, individually or in the aggregate, is not expected to be material to the *Consolidated Financial Statements*. As a result, no liabilities related to guarantees and indemnifications have been recorded at August 31, 2022.

LITIGATION

The University, SHC and LPCH are defendants in a number of legal actions. While the final outcome cannot be determined at this time, management is of the opinion that the liability, if any, resulting from these legal actions will not have a material adverse effect on the consolidated financial position.

CONTRACTUAL COMMITMENTS

At August 31, 2022, the University had contractual obligations of approximately $377.3 million in connection with major construction projects. Remaining expenditures on construction in progress are estimated to be $887.5 million, which will be financed with certain unexpended plant funds, gifts and debt. Commitments on construction contracts, including the construction and remodeling of Hospital facilities, were approximately $145.0 million for SHC and $49.3 million for LPCH at August 31, 2022.

Over the course of the next several years, SHC will complete renovations to enable the relocation of inpatient units that remain in the 1959-era portion of the hospital, and fulfill the seismic safety mandate to have all inpatient beds located in compliant structures. As of August 31, 2022, approximately $261 million, which was primarily for design and construction, was recorded to construction in progress. Estimated cost of the renewal program is approximately $1.6 billion.

The University executed two 25-year agreements with two solar electricity developers and operators in 2015 and 2018 to purchase the output from their solar photovoltaic facilities and battery storage. The first facility was placed in service in December 2016 and the second facility began operation in April 2022. The University's total unpaid commitment under the agreements over the life of the agreements, undiscounted, is $316.2 million.

In addition, as described in *Note 6*, the University is obligated under certain alternative investment agreements to advance additional funding up to specified levels over a period of years.

COVID-19

The global COVID-19 pandemic has continued to cause disruptions to our nation's higher education and healthcare systems, including Stanford. Earlier this year, the global economy began reopening and robust economic activity supported a continued recovery. However, the emergence of COVID-19 variants and related surges in COVID-19 cases have contributed to certain setbacks to reopening and could trigger the reinstatement of restrictions, including mandatory business shut-downs, travel restrictions, reduced business operations and social distancing requirements. Patient volumes and the related revenues for most of SHC's and LPCH's health care services were impacted by the pandemic. Also, broad economic factors including unemployment rates, adjusted consumer spending, and supply chain interruptions impacted patient volumes, service mix and payor mix.

On March 27, 2020 the Federal Government passed the Coronavirus Aid, Relief, and Economic Stimulus Act (CARES Act) which made funds available to Stanford through various provisions of the legislation. For the years ended August 31, 2022 and 2021, SHC received CARES Act provider relief funding of $202.9 million and $392.8 million, respectively and LPCH received $2.1 million and $6.7 million, respectively, reported as "Special program fees and other income" on the *Consolidated Statements of Activities.* Stanford recognized revenue related to the CARES Act provider relief fund based on information contained in laws and regulations, as well as interpretations issued by the Department of Health and Human Services ("DHHS"), governing the funding that was publicly available at August 31, 2022 and August 31, 2021. CARES Act provider relief funding is subject to future audit adjustments based on compliance audits and potential changes to statutes.

Furthermore, the CARES Act provides for deferred payment of the employer portion of social security taxes between March 27, 2020 and December 31, 2020, with 50% of the deferred amount due December 31, 2021 and the remaining 50% due December 31, 2022. As of August 31, 2022, the University, SHC, and LPCH deferred payments of $43.9 million, $21.1 million, and $11.0 million, respectively. As of August 31, 2021, the University, SHC, and LPCH deferred payments of $87.8 million, $56.0 million, and $24.8 million, respectively, and these amounts are reported as "Accounts payable and accrued expenses" on the *Consolidated Statements of Financial Position*.

Under the CARES Act, SHC also received $397.0 million in advanced payments from the Centers for Medicare & Medicaid Services (CMS) in fiscal year 2020 which was on the *Consolidated Statements of Financial Position* as of August 31, 2020. CMS had indicated that it would begin recouping these advance payments against future Medicare claims for services that are provided during the recoupment period. By August 31, 2021, $397.0 million in advance payments were recouped by CMS.

Stanford is monitoring legislative developments, including future relief funding opportunities, and directives from federal, state, and local officials to determine additional precautions and procedures that may need to be implemented.

20. Subsequent Events

Stanford has evaluated subsequent events for the period from August 31, 2022 through December 6, 2022, the date the *Consolidated Financial Statements* were issued.

In September 2022, a Stanford affiliate acquired the leasehold on the Oak Creek Apartments, a 759-unit multifamily residential complex located on University lands for the purchase price of $519.0 million. The acquisition is a unique opportunity for Stanford to add a significant amount of housing for eligible university affiliates very close to where they work and learn.

21. Consolidating Entity Statements

The pages which follow present consolidating statements of financial position as of August 31, 2022 and 2021 and consolidating statements of activities and cash flows for the years then ended, in thousands of dollars. The information has been prepared in a manner consistent with GAAP and was derived from and relates directly to the underlying accounting and other records used to prepare the *Consolidated Financial Statements*. The consolidating information is presented only for purposes of additional analysis and not as a presentation of the financial position and results of the individual entities.

CONSOLIDATING STATEMENTS OF FINANCIAL POSITION

At August 31, 2022 (in thousands of dollars)

	UNIVERSITY	SHC	LPCH	ELIMINATIONS	CONSOLIDATED
ASSETS					
Cash and cash equivalents	$ 1,355,180	$ 536,803	$ 461,814	$ (7,425)	$ 2,346,372
Accounts receivable, net	296,138	1,111,913	599,587	—	2,007,638
Receivables (payables) from SHC and LPCH, net	31,379	—	29,148	(60,527)	—
Prepaid expenses and other assets	94,164	447,207	118,989	(148,172)	512,188
Pledges receivable, net	1,986,880	41,877	245,973	(72,994)	2,201,736
Student loans receivable, net	37,524	—	—	—	37,524
Faculty and staff mortgages and other loans receivable, net	984,106	—	—	—	984,106
Assets limited as to use	397,926	—	—	—	397,926
Investments at fair value	46,473,800	4,403,691	1,295,496	7,425	52,180,412
Right-of-use assets	713,251	247,572	207,491	(129,930)	1,038,384
Plant facilities, net of accumulated depreciation	7,903,923	3,725,488	1,748,023	—	13,377,434
Works of art and special collections	—	—	—	—	—
TOTAL ASSETS	**$ 60,274,271**	**$ 10,514,551**	**$ 4,706,521**	**$ (411,623)**	**$ 75,083,720**
LIABILITIES AND NET ASSETS					
LIABILITIES:					
Accounts payable and accrued expenses	$ 983,033	$ 1,532,708	$ 353,814	$ (63,798)	$ 2,805,757
Liabilities associated with investments	863,746	—	—	—	863,746
Lease liabilities	743,180	261,334	219,402	(129,930)	1,093,986
Deferred income and other obligations	1,680,817	218,615	91,828	—	1,991,260
Accrued pension and postretirement benefit obligations	442,820	88,699	30,977	—	562,496
Notes and bonds payable	5,153,838	2,295,337	821,831	—	8,271,006
TOTAL LIABILITIES	**9,867,434**	**4,396,693**	**1,517,852**	**(193,728)**	**15,588,251**
NET ASSETS:					
Without donor restrictions, including non-controlling interest of $144,901	27,378,445	5,972,760	2,339,730	(171,641)	35,519,294
With donor restrictions	23,028,392	145,098	848,939	(46,254)	23,976,175
TOTAL NET ASSETS	**50,406,837**	**6,117,858**	**3,188,669**	**(217,895)**	**59,495,469**
TOTAL LIABILITIES AND NET ASSETS	**$ 60,274,271**	**$ 10,514,551**	**$ 4,706,521**	**$ (411,623)**	**$ 75,083,720**

CONSOLIDATING STATEMENTS OF FINANCIAL POSITION

At August 31, 2021 (in thousands of dollars)

	UNIVERSITY	SHC	LPCH	ELIMINATIONS	CONSOLIDATED
ASSETS					
Cash and cash equivalents	$ 874,943	$ 407,044	$ 398,194	$ (7,392)	$ 1,672,789
Accounts receivable, net	241,706	894,521	617,783	—	1,754,010
Receivables (payables) from SHC and LPCH, net	42,841	—	13,059	(55,900)	—
Prepaid expenses and other assets	91,075	420,219	122,790	(123,594)	510,490
Pledges receivable, net	1,550,314	48,860	153,096	(51,745)	1,700,525
Student loans receivable, net	42,699	—	—	—	42,699
Faculty and staff mortgages and other loans receivable, net	892,098	—	—	—	892,098
Assets limited as to use	453,452	—	—	—	453,452
Investments at fair value	48,001,081	4,662,740	1,368,332	7,392	54,039,545
Right of use assets	621,791	292,588	231,215	(146,081)	999,513
Plant facilities, net of accumulated depreciation	7,683,172	3,619,451	1,776,007	—	13,078,630
Works of art and special collections	—	—	—	—	—
TOTAL ASSETS	**$ 60,495,172**	**$ 10,345,423**	**$ 4,680,476**	**$ (377,320)**	**$ 75,143,751**
LIABILITIES AND NET ASSETS					
LIABILITIES:					
Accounts payable and accrued expenses	$ 985,760	$ 1,538,150	$ 303,479	$ (21,028)	$ 2,806,361
Liabilities associated with investments	974,756	—	—	—	974,756
Lease liabilities	640,206	312,299	241,194	(146,081)	1,047,618
Deferred income and other obligations	1,620,905	245,077	122,135	—	1,988,117
Accrued pension and postretirement benefit obligations	513,460	86,626	29,765	—	629,851
Notes and bonds payable	5,143,849	2,318,780	839,961	—	8,302,590
TOTAL LIABILITIES	**9,878,936**	**4,500,932**	**1,536,534**	**(167,109)**	**15,749,293**
NET ASSETS:					
Without donor restrictions, including non-controlling interest attributable to SHC of $120,215	27,502,213	5,693,158	2,375,992	(119,039)	35,452,324
With donor restrictions	23,114,023	151,333	767,950	(91,172)	23,942,134
TOTAL NET ASSETS	**50,616,236**	**5,844,491**	**3,143,942**	**(210,211)**	**59,394,458**
TOTAL LIABILITIES AND NET ASSETS	**$ 60,495,172**	**$ 10,345,423**	**$ 4,680,476**	**$ (377,320)**	**$ 75,143,751**

CONSOLIDATING STATEMENTS OF ACTIVITIES

For the year ended August 31, 2022 (in thousands of dollars)

	UNIVERSITY	SHC	LPCH	ELIMINATIONS	CONSOLIDATED
NET ASSETS WITHOUT DONOR RESTRICTIONS					
OPERATING REVENUES:					
TOTAL STUDENT INCOME, NET	**$ 715,465**	**$ —**	**$ —**	**$ —**	**$ 715,465**
Sponsored support:					
Direct costs - University	959,202	12,051	—	—	971,253
Direct costs - SLAC National Accelerator Laboratory	524,943	—	—	—	524,943
Indirect costs	315,562	—	—	—	315,562
TOTAL SPONSORED SUPPORT	**1,799,707**	**12,051**	**—**	**—**	**1,811,758**
Health care services:					
Net patient service revenue	—	6,922,468	2,241,891	(44,258)	9,120,101
Premium revenue	—	75,310	—	—	75,310
Physicians' services and support - SHC and LPCH, net	1,440,263	—	—	(1,440,263)	—
Physicians' services and support - other facilities, net	45,924	—	—	(9,306)	36,618
TOTAL HEALTH CARE SERVICES	**1,486,187**	**6,997,778**	**2,241,891**	**(1,493,827)**	**9,232,029**
TOTAL CURRENT YEAR GIFTS IN SUPPORT OF OPERATIONS	**272,812**	**247**	**5,442**	**—**	**278,501**
Net assets released from restrictions:					
Payments received on pledges	223,148	1,029	—	—	224,177
Prior year gifts released from donor restrictions	71,514	5,138	4,750	—	81,402
TOTAL NET ASSETS RELEASED FROM RESTRICTIONS	**294,662**	**6,167**	**4,750**	**—**	**305,579**
Investment income distributed for operations:					
Endowment	1,465,657	384	9,370	—	1,475,411
Expendable funds pools and other investment income	276,518	222	—	—	276,740
TOTAL INVESTMENT INCOME DISTRIBUTED FOR OPERATIONS	**1,742,175**	**606**	**9,370**	**—**	**1,752,151**
TOTAL SPECIAL PROGRAM FEES AND OTHER INCOME	**539,338**	**395,618**	**101,722**	**—**	**1,036,678**
TOTAL OPERATING REVENUES	**6,850,346**	**7,412,467**	**2,363,175**	**(1,493,827)**	**15,132,161**
OPERATING EXPENSES:					
Salaries and benefits	4,373,184	3,344,920	1,163,765	—	8,881,869
Depreciation	487,509	269,883	94,426	—	851,818
Other operating expenses	1,978,379	3,279,571	1,099,632	(1,493,827)	4,863,755
TOTAL OPERATING EXPENSES	**6,839,072**	**6,894,374**	**2,357,823**	**(1,493,827)**	**14,597,442**
CHANGE IN NET ASSETS FROM OPERATING ACTIVITIES	**$ 11,274**	**$ 518,093**	**$ 5,352**	**$ —**	**$ 534,719**

CONSOLIDATING STATEMENTS OF ACTIVITIES, Continued

For the year ended August 31, 2022 (in thousands of dollars)

	UNIVERSITY	SHC	LPCH	ELIMINATIONS	CONSOLIDATED
NET ASSETS WITHOUT DONOR RESTRICTIONS (continued)					
CHANGE IN NET ASSETS FROM OPERATING ACTIVITIES	**$ 11,274**	**$ 518,093**	**$ 5,352**	**$ —**	**$ 534,719**
NON-OPERATING ACTIVITIES:					
Decrease in reinvested gains	(449,755)	(264,528)	(29,655)	—	(743,938)
Donor advised funds, net	34,611	—	—	—	34,611
Current year gifts not included in operations	5,053	—	—	—	5,053
Equity and fund transfers, net	182,342	(112,528)	(102,429)	32,615	—
Capital and other gifts released from restrictions	30,230	11,759	29,111	—	71,100
Pension and other postemployment benefit related changes other than service cost	92,527	(1,549)	(1,474)	—	89,504
Transfer from (to) net assets with donor restrictions, net	(70,233)	—	60,531	(60,531)	(70,233)
Swap interest and change in value of swap agreements	18,542	120,324	—	—	138,866
Gain on extinguishment of debt	—	—	6,947	—	6,947
Non-controlling interest	26,893	—	—	(24,686)	2,207
Other	(5,252)	8,031	(4,645)	—	(1,866)
NET CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTIONS	**(123,768)**	**279,602**	**(36,262)**	**(52,602)**	**66,970**
NET ASSETS WITH DONOR RESTRICTIONS					
Gifts and pledges, net	1,437,387	9,178	215,571	17,002	1,679,138
Increase (decrease) in reinvested gains	(1,243,613)	238	(12,396)	—	(1,255,771)
Change in value of split-interest agreements, net	(59,444)	—	(3,867)	—	(63,311)
Net assets released to operations	(294,662)	(7,020)	(19,562)	—	(321,244)
Capital and other gifts released to net assets without donor restrictions	(30,230)	(11,759)	(29,111)	—	(71,100)
Gift transfers, net	38,435	3,295	(9,115)	(32,615)	—
Transfer from (to) net assets without donor restrictions, net	70,233	—	(60,531)	60,531	70,233
Other	(3,737)	(167)	—	—	(3,904)
NET CHANGE IN NET ASSETS WITH DONOR RESTRICTIONS	**(85,631)**	**(6,235)**	**80,989**	**44,918**	**34,041**
NET CHANGE IN TOTAL NET ASSETS	**(209,399)**	**273,367**	**44,727**	**(7,684)**	**101,011**
Total net assets, beginning of year	50,616,236	5,844,491	3,143,942	(210,211)	59,394,458
TOTAL NET ASSETS, END OF YEAR	**$50,406,837**	**$6,117,858**	**$3,188,669**	**$ (217,895)**	**$ 59,495,469**

CONSOLIDATING STATEMENTS OF ACTIVITIES

For the year ended August 31, 2021 (in thousands of dollars)

	UNIVERSITY	SHC	LPCH	ELIMINATIONS	CONSOLIDATED
NET ASSETS WITHOUT DONOR RESTRICTIONS					
OPERATING REVENUES:					
TOTAL STUDENT INCOME, NET	**$ 507,923**	**$ —**	**$ —**	**$ —**	**$ 507,923**
Sponsored support:					
Direct costs - University	893,874	6,761	—	—	900,635
Direct costs - SLAC National Accelerator Laboratory	489,872	—	—	—	489,872
Indirect costs	297,514	—	—	—	297,514
TOTAL SPONSORED SUPPORT	**1,681,260**	**6,761**	**—**	**—**	**1,688,021**
Health care services:					
Net patient service revenue	—	6,052,048	2,138,716	(41,296)	8,149,468
Premium revenue	—	118,741	—	—	118,741
Physicians' services and support - SHC and LPCH, net	1,334,418	—	—	(1,334,418)	—
Physicians' services and support - other facilities, net	44,601	—	—	(11,254)	33,347
TOTAL HEALTH CARE SERVICES	**1,379,019**	**6,170,789**	**2,138,716**	**(1,386,968)**	**8,301,556**
TOTAL CURRENT YEAR GIFTS IN SUPPORT OF OPERATIONS	**288,110**	**204**	**5,401**	**—**	**293,715**
Net assets released from restrictions:					
Payments received on pledges	244,646	1,227	—	—	245,873
Prior year gifts released from donor restrictions	85,281	8,964	5,107	—	99,352
TOTAL NET ASSETS RELEASED FROM RESTRICTIONS	**329,927**	**10,191**	**5,107**	**—**	**345,225**
Investment income distributed for operations:					
Endowment	1,330,153	492	18,799	—	1,349,444
Expendable funds pools and other investment income	401,235	603	—	—	401,838
TOTAL INVESTMENT INCOME DISTRIBUTED FOR OPERATIONS	**1,731,388**	**1,095**	**18,799**	**—**	**1,751,282**
TOTAL SPECIAL PROGRAM FEES AND OTHER INCOME	**386,138**	**583,168**	**91,195**	**(9,209)**	**1,051,292**
TOTAL OPERATING REVENUES	**6,303,765**	**6,772,208**	**2,259,218**	**(1,396,177)**	**13,939,014**
OPERATING EXPENSES:					
Salaries and benefits	4,041,029	2,813,222	1,023,210	—	7,877,461
Depreciation	470,184	287,150	109,341	—	866,675
Other operating expenses	1,689,090	3,008,492	1,048,027	(1,396,177)	4,349,432
TOTAL OPERATING EXPENSES	**6,200,303**	**6,108,864**	**2,180,578**	**(1,396,177)**	**13,093,568**
CHANGE IN NET ASSETS FROM OPERATING ACTIVITIES	**$ 103,462**	**$ 663,344**	**$ 78,640**	**$ —**	**$ 845,446**

CONSOLIDATING STATEMENTS OF ACTIVITIES, Continued

For the year ended August 31, 2021 (in thousands of dollars)

	UNIVERSITY	SHC	LPCH	ELIMINATIONS	CONSOLIDATED
NET ASSETS WITHOUT DONOR RESTRICTIONS (continued)					
CHANGE IN NET ASSETS FROM OPERATING ACTIVITIES	**$ 103,462**	**$ 663,344**	**$ 78,640**	**$ —**	**$ 845,446**
NON-OPERATING ACTIVITIES:					
Increase in reinvested gains	4,468,169	871,876	208,623	—	5,548,668
Donor advised funds, net	3,395	—	—	—	3,395
Current year gifts not included in operations	408	—	—	—	408
Equity and fund transfers, net	150,027	(101,957)	(147,603)	99,533	—
Capital and other gifts released from restrictions	42,188	19,240	10,270	—	71,698
Pension and other postemployment benefit related changes other than net periodic benefit expense	101,474	7,436	(1,731)	—	107,179
Transfer from (to) net assets with donor restrictions, net	(75,080)	—	99,533	(99,533)	(75,080)
Swap interest and change in value of swap agreements	7,077	46,274	—	—	53,351
Loss on extinguishment of debt	—	(2,558)	—	—	(2,558)
Non-controlling interest attributable to SHC	19,056	—	—	(19,056)	—
Other	(3,257)	(4,402)	701	—	(6,958)
NET CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTIONS	**4,816,919**	**1,499,253**	**248,433**	**(19,056)**	**6,545,549**
NET ASSETS WITH DONOR RESTRICTIONS					
Gifts and pledges, net	998,134	34,860	154,780	(83,697)	1,104,077
Increase in reinvested gains	4,676,143	12,307	129,446	—	4,817,896
Change in value of split-interest agreements, net	119,227	—	3,326	—	122,553
Net assets released to operations	(329,927)	(11,490)	(29,307)	—	(370,724)
Capital and other gifts released to net assets without donor restrictions	(42,188)	(19,240)	(10,270)	—	(71,698)
Gift transfers, net	(3,050)	3,030	20	—	—
Transfer from (to) net assets without donor restrictions, net	75,080	—	(99,533)	99,533	75,080
Other	516	(1,677)	27	—	(1,134)
NET CHANGE IN NET ASSETS WITH DONOR RESTRICTIONS	**5,493,935**	**17,790**	**148,489**	**15,836**	**5,676,050**
NET CHANGE IN TOTAL NET ASSETS	**10,310,854**	**1,517,043**	**396,922**	**(3,220)**	**12,221,599**
Total net assets, beginning of year	40,305,382	4,327,448	2,747,020	(206,991)	47,172,859
TOTAL NET ASSETS, END OF YEAR	**$ 50,616,236**	**$ 5,844,491**	**$ 3,143,942**	**$ (210,211)**	**$ 59,394,458**

CONSOLIDATING STATEMENTS OF CASH FLOWS

For the year ended August 31, 2022 (in thousands of dollars)

	UNIVERSITY	SHC	LPCH	ELIMINATIONS	CONSOLIDATED
CASH FLOW FROM OPERATING ACTIVITIES					
Change in net assets	$ (209,399)	$ 273,367	$ 44,727	$ (7,684)	$ 101,011
Adjustments to reconcile change in net assets to net cash provided by (used for) operating activities:					
Depreciation	487,509	269,883	94,731	—	852,123
Amortization of bond premiums, discounts and other	39,453	(7,934)	(2,882)	—	28,637
Net losses on investments	438,840	377,508	67,881	—	884,229
Change in fair value of interest rate swaps	(21,707)	(139,748)	—	—	(161,455)
Change in split-interest agreements	(32,199)	—	4,026	—	(28,173)
Change in deferred tax asset and liability	(23,182)	—	—	—	(23,182)
Investment expense for restricted purposes	(15,275)	(33)	(33,265)	—	(48,573)
Gifts restricted for long-term investments	(625,598)	(11,117)	(119,370)	—	(756,085)
Equity and fund transfers, net	(220,777)	109,233	55,937	55,607	—
Gifts of securities and properties	(22,698)	—	—	—	(22,698)
Other	59,307	—	(28,267)	—	31,040
Gain on extinguishment of debt	—	—	(6,947)	—	(6,947)
Changes in operating assets and liabilities:					
Accounts receivable	(36,102)	(225,014)	18,226	—	(242,890)
Pledges receivable, net	(338,686)	6,983	2,819	(17,002)	(345,886)
Prepaid expenses and other assets	(16,544)	(76,145)	4,572	—	(88,117)
Accounts payable and accrued expenses	3,670	169,342	40,006	—	213,018
Accrued pension and postretirement benefit obligations	(70,640)	2,073	1,212	—	(67,355)
Lease liabilities	(39,219)	(5,873)	1,932	—	(43,160)
Deferred income and other obligations	23,367	(26,462)	(30,307)	—	(33,402)
NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES	**(619,880)**	**716,063**	**115,031**	**30,921**	**242,135**
CASH FLOW FROM INVESTING ACTIVITIES					
Additions to plant facilities, net	(490,801)	(365,946)	(68,273)	—	(925,020)
Student, faculty and other loans:					
New loans made	(179,632)	—	—	—	(179,632)
Principal collected	77,393	—	—	—	77,393
Purchases of investments	(16,501,253)	(955,577)	(34,246)	24,653	(17,466,423)
Sales and maturities of investments	17,444,318	861,076	31,422	—	18,336,816
Change associated with short term investments	111,202	—	—	—	111,202
Swap settlement payments, net	—	(19,811)	—	—	(19,811)
NET CASH PROVIDED BY (USED FOR) INVESTING ACTIVITIES	**461,227**	**(480,258)**	**(71,097)**	**24,653**	**(65,475)**
CASH FLOW FROM FINANCING ACTIVITIES					
Gifts and reinvested income for restricted purposes	531,865	10,272	85,232	—	627,369
Equity and fund transfers from Hospitals	212,307	(100,733)	(55,967)	(55,607)	—
Proceeds from borrowing	37,953	—	230,594	—	268,547
Repayment of notes and bonds payable	(7,898)	(15,581)	(239,898)	—	(263,377)
Bond issuance costs and interest rate swaps	(39)	(4)	(2,182)	—	(2,225)
Contributions received for split-interest agreements	17,676	—	—	—	17,676
Payments made under split-interest agreements	(57,515)	—	—	—	(57,515)
Securities lending collateral received, net	(7,696)	—	—	—	(7,696)
Other	(7,176)	—	1,907	—	(5,269)
NET CASH PROVIDED BY (USED FOR) FINANCING ACTIVITIES	**719,477**	**(106,046)**	**19,686**	**(55,607)**	**577,510**
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**560,824**	**129,759**	**63,620**	**(33)**	**754,170**
Cash and cash equivalents, beginning of year	1,067,879	407,044	398,194	(7,392)	1,865,725
CASH AND CASH EQUIVALENTS, END OF YEAR	**$ 1,628,703**	**$ 536,803**	**$461,814**	**$ (7,425)**	**$ 2,619,895**
SUPPLEMENTAL DATA:					
Cash and cash equivalents as shown in the *Statements of Financial Position*	$ 1,355,180	$ 536,803	$ 461,814	$ (7,425)	$ 2,346,372
Restricted cash included in assets limited as to use	81,946	—	—	—	81,946
Restricted cash included in other assets	12,382	—	—	—	12,382
Cash and restricted cash included in investments	179,195	—	—	—	179,195
TOTAL CASH AND CASH EQUIVALENTS AS SHOWN ON THE STATEMENTS OF CASH FLOWS	**$ 1,628,703**	**$ 536,803**	**$461,814**	**$ (7,425)**	**$ 2,619,895**
Interest paid, net of capitalized interest	$ 177,281	$ 79,701	$ 29,235	$ —	$ 286,217
Change in payables for plant facilities	$ 17,556	$ 10,624	$ (2,880)	$ —	$ 25,300
Right-of-use assets obtained in exchange for lease liabilities	$ 135,465	$ 27,892	$ 9,479	$ —	$ 172,836

CONSOLIDATING STATEMENTS OF CASH FLOWS

For the year ended August 31, 2021 (in thousands of dollars)

	UNIVERSITY	SHC	LPCH	ELIMINATIONS	CONSOLIDATED
CASH FLOW FROM OPERATING ACTIVITIES					
Change in net assets	$ 10,310,854	$1,517,043	$ 396,922	$ (3,220)	$ 12,221,599
Adjustments to reconcile change in net assets to net cash provided by (used for) operating activities:					
Depreciation	470,184	287,150	109,341	—	866,675
Amortization of bond premiums, discounts and other	30,455	(8,271)	(2,615)	—	19,569
Net gains on investments	(11,093,768)	(812,347)	(324,599)	—	(12,230,714)
Change in fair value of interest rate swaps	(10,557)	(67,638)	—	—	(78,195)
Change in split-interest agreements	158,814	—	—	—	158,814
Change in deferred tax asset and liability	129,127	—	—	—	129,127
Investment income (expense) for restricted purposes	(8,763)	(34)	107,895	—	99,098
Gifts restricted for long-term investments	(645,872)	(25,161)	(192,398)	—	(863,431)
Equity and fund transfers, net	(146,977)	98,927	48,050	—	—
Gifts of securities and properties	(30,509)	—	—	—	(30,509)
Other	36,280	2,558	10,738	(15,836)	33,740
Premiums received from bond issuance	79,544	17,287	—	—	96,831
Changes in operating assets and liabilities:					
Accounts receivable	19,548	(160,066)	(104,486)	—	(245,004)
Pledges receivable, net	(3,294)	(1,464)	(10,540)	—	(15,298)
Prepaid expenses and other assets	(3,969)	(40,735)	(18,352)	—	(63,056)
Accounts payable and accrued expenses	75,280	(215,280)	41,104	—	(98,896)
Accrued pension and postretirement benefit obligations	(84,491)	(6,801)	1,264	—	(90,028)
Lease liabilities	(38,773)	(1,822)	2,348		(38,247)
Deferred income and other obligations	131,961	74,331	53,081	—	259,373
NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES	**(624,926)**	**657,677**	**117,753**	**(19,056)**	**131,448**
CASH FLOW FROM INVESTING ACTIVITIES					
Additions to plant facilities, net	(493,332)	(262,522)	(35,005)	—	(790,859)
Student, faculty and other loans:					
New loans made	(178,342)	—	—	—	(178,342)
Principal collected	105,835	—	—	—	105,835
Purchases of investments	(18,702,507)	(1,605,006)	(28,195)	19,055	(20,316,653)
Sales and maturities of investments	18,318,948	44,129	24,777	—	18,387,854
Change associated with short term investments	437,983	—	—	—	437,983
Swap settlement payments, net	—	(21,420)	—	—	(21,420)
NET CASH PROVIDED BY (USED FOR) INVESTING ACTIVITIES	**(511,415)**	**(1,844,819)**	**(38,423)**	**19,055**	**(2,375,602)**
CASH FLOW FROM FINANCING ACTIVITIES					
Gifts and reinvested income for restricted purposes	472,287	25,164	51,392	—	548,843
Equity and fund transfers from Hospitals	88,266	(40,216)	(48,050)	—	—
Proceeds from borrowing	504,656	522,815	—	—	1,027,471
Repayment of notes and bonds payable	(421,637)	(552,615)	(38,635)	—	(1,012,887)
Bond issuance costs and interest rate swaps	(1,446)	(3,966)	—	—	(5,412)
Contributions received for split-interest agreements	19,709	—	—	—	19,709
Payments made under split-interest agreements	(51,186)	—	—	—	(51,186)
Securities lending collateral sold, net	9,393	—	—	—	9,393
Other	(4,907)	—	—	—	(4,907)
NET CASH PROVIDED BY (USED FOR) FINANCING ACTIVITIES	**615,135**	**(48,818)**	**(35,293)**	**—**	**531,024**
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**(521,206)**	**(1,235,960)**	**44,037**	**(1)**	**(1,713,130)**
Cash and cash equivalents, beginning of year	1,589,085	1,643,004	354,157	(7,391)	3,578,855
CASH AND CASH EQUIVALENTS, END OF YEAR	**$ 1,067,879**	**$ 407,044**	**$ 398,194**	**$ (7,392)**	**$ 1,865,725**
SUPPLEMENTAL DATA:					
Cash and cash equivalents as shown in the *Statements of Financial Position*	$ 874,943	$ 407,044	$ 398,194	$ (7,392)	$ 1,672,789
Restricted cash and cash equivalents included in assets limited as to use	117,179	—	—	—	117,179
Restricted cash included in other assets	28,432	—	—	—	28,432
Cash and restricted cash included in investments	47,325	—	—	—	47,325
TOTAL CASH AND CASH EQUIVALENTS AS SHOWN ON THE STATEMENTS OF CASH FLOWS	**$ 1,067,879**	**$ 407,044**	**$ 398,194**	**$ (7,392)**	**$ 1,865,725**
Interest paid, net of capitalized interest	$ 177,937	$ 81,580	$ 34,644	$ —	$ 294,161
Change in payables for plant facilities	$ (27,359)	$ (1,636)	$ 1,087	$ —	$ (27,908)
Right-of-use assets obtained in exchange for lease liabilities	$ 4,700	$ 30,858	$ 30,976	$ —	$ 66,534

Stanford University