

In the opinion of Orrick, Herrington & Sutcliffe LLP, Bond Counsel to the Authority, based upon an analysis of existing laws, regulations, rulings and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the Series V-3 Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Internal Revenue Code of 1986 and is exempt from State of California personal income taxes. In the further opinion of Bond Counsel, interest on the Series V-3 Bonds is not a specific preference item for purposes of the federal individual alternative minimum tax. Bond Counsel observes that, for tax years beginning after December 31, 2022, interest on the Series V-3 Bonds included in adjusted financial statement income of certain corporations is not excluded from the federal corporate alternative minimum tax. Bond Counsel expresses no opinion regarding any other tax consequences related to the ownership or disposition of, or the amount, accrual or receipt of interest on, the Series V-3 Bonds. See “TAX MATTERS” herein.



\$241,545,000
CALIFORNIA EDUCATIONAL
FACILITIES AUTHORITY
REVENUE BONDS (STANFORD UNIVERSITY)
SERIES V-3

Dated: Date of Delivery**Due: June 1, as shown below**

The \$241,545,000 California Educational Facilities Authority Revenue Bonds (Stanford University) Series V-3 (the “Series V-3 Bonds”) will be issued in book-entry form in denominations of \$5,000 or any integral multiple thereof. Interest on the Series V-3 Bonds is payable semiannually on each June 1 and December 1, commencing December 1, 2023. The Series V-3 Bonds will be registered in the name of Cede & Co., as nominee of The Depository Trust Company, New York, New York (“DTC”). DTC will act as securities depository of the Series V-3 Bonds. Principal (or Redemption Price) of and interest on the Series V-3 Bonds will be payable directly to DTC, as the registered owner of the Series V-3 Bonds, by The Bank of New York Mellon Trust Company, N.A., as trustee (the “Trustee”). For so long as DTC or its nominee, Cede & Co., is the registered owner of the Series V-3 Bonds, all notices will be mailed only to Cede & Co. See Appendix C – “BOOK-ENTRY ONLY SYSTEM” herein.

The Series V-3 Bonds are subject to redemption prior to maturity, as described herein. See “THE SERIES V-3 BONDS – Redemption and Redemption Price.”

The Series V-3 Bonds are being issued by the California Educational Facilities Authority (the “Authority”) for the benefit of The Board of Trustees of the Leland Stanford Junior University (the “University”) pursuant to an Indenture, dated as of April 1, 2019 (the “Original Indenture”), as supplemented by the First Supplemental Indenture, dated as of April 1, 2021 (the “First Supplemental Indenture”) and the Second Supplemental Indenture, dated as of June 1, 2023 (the “Second Supplemental Indenture” and, together with the Original Indenture and the First Supplemental Indenture, the “Indenture”), each by and between the Authority and the Trustee. The Series V-3 Bonds are limited obligations of the Authority payable only out of Revenues as defined in the Indenture and other amounts held in the funds and accounts established by the Indenture. The Revenues consist primarily of loan payments to be made under a Loan Agreement (as defined herein) by

STANFORD UNIVERSITY

The University plans to use the proceeds of the Series V-3 Bonds to finance or refinance (and which may include the retirement of certain outstanding commercial paper and the payment of a revolving line of credit of the University) certain capital projects of the University, as further described herein. See “PLAN OF FINANCE” and “SOURCES AND USES OF FUNDS” herein.

The obligation of the University to make loan payments under the Loan Agreement is an unsecured general obligation of the University. The University has other unsecured general obligations outstanding. Moreover, the University is not restricted by the Loan Agreement from incurring additional indebtedness. Such additional indebtedness, if issued, may be either secured or unsecured and may be entitled to payment prior to the loan payments due under the Loan Agreement. See “SECURITY FOR THE SERIES V-3 BONDS” herein.

THE SERIES V-3 BONDS SHALL NOT BE DEEMED TO CONSTITUTE A DEBT OR LIABILITY OF THE STATE OF CALIFORNIA OR OF ANY POLITICAL SUBDIVISION THEREOF OTHER THAN THE AUTHORITY OR A PLEDGE OF THE FAITH AND CREDIT OF THE STATE OF CALIFORNIA OR OF ANY POLITICAL SUBDIVISION THEREOF, BUT SHALL BE PAYABLE SOLELY FROM THE FUNDS THEREFOR PROVIDED. NEITHER THE STATE OF CALIFORNIA NOR THE AUTHORITY SHALL BE OBLIGATED TO PAY THE PRINCIPAL (OR REDEMPTION PRICE) OF THE SERIES V-3 BONDS OR THE INTEREST THEREON EXCEPT FROM THE FUNDS PROVIDED UNDER THE LOAN AGREEMENT AND THE OTHER ASSETS PLEDGED UNDER THE INDENTURE, AND NEITHER THE FAITH AND CREDIT NOR THE TAXING POWER OF THE STATE OF CALIFORNIA OR OF ANY POLITICAL SUBDIVISION THEREOF IS PLEDGED TO THE PAYMENT OF THE PRINCIPAL (OR REDEMPTION PRICE) OF OR THE INTEREST ON THE SERIES V-3 BONDS. THE ISSUANCE OF THE SERIES V-3 BONDS SHALL NOT DIRECTLY OR INDIRECTLY OR CONTINGENTLY OBLIGATE THE STATE OF CALIFORNIA OR ANY POLITICAL SUBDIVISION THEREOF TO LEVY OR TO PLEDGE ANY FORM OF TAXATION WHATEVER THEREFOR OR TO MAKE ANY APPROPRIATION FOR THEIR PAYMENT. THE AUTHORITY HAS NO TAXING POWER.

This cover page contains certain information for quick reference only. It is not a summary of this issue. Capitalized terms used on this cover page not otherwise defined will have the meanings set forth herein.

Maturity Schedule

\$241,545,000 5.00% Bond due June 1, 2033; Yield 2.280%; CUSIP[†]: 130179 UU6

The Series V-3 Bonds are offered by the Underwriters when, as and if issued by the Authority and accepted by the Underwriters subject to the approval of legality by Orrick, Herrington & Sutcliffe LLP, Bond Counsel to the Authority, and subject to certain other conditions. Certain legal matters will be passed upon for the Authority by the Honorable Rob Bonta, Attorney General of the State of California, for the Underwriters by Hawkins Delafield & Wood LLP, and for the University by its General Counsel and Ropes & Gray LLP. It is expected that the Series V-3 Bonds will be available for delivery through the facilities of DTC in New York, New York on or about June 1, 2023.

HONORABLE FIONA MA
Treasurer of the State of California
As Agent for Sale

J.P. Morgan

Morgan Stanley

Dated: May 17, 2023

[†] CUSIP® is a registered trademark of the American Bankers Association. CUSIP Global Services (CGS) is managed on behalf of the American Bankers Association by FactSet Research Systems Inc. Copyright© 2023 CUSIP Global Services. All rights reserved. CUSIP® data herein is provided by CUSIP Global Services. This data is not intended to create a database and does not serve in any way as a substitute for the CGS database. CUSIP® numbers are provided for convenience of reference only. Neither the Authority nor the University assumes responsibility for the accuracy of such numbers.

This Official Statement does not constitute an offer to sell the Series V-3 Bonds in any jurisdiction in which or to any person to whom it is unlawful to make such an offer. No dealer, salesperson or other person has been authorized by the Authority, the University or the Underwriters to give any information or to make any representations, other than those contained herein, in connection with the offering of the Series V-3 Bonds and, if given or made, such information or representations must not be relied upon.

The information relating to the Authority set forth herein under the captions “THE AUTHORITY” and “REGULATORY MATTERS AND LITIGATION – The Authority” has been furnished by the Authority. The Authority does not warrant the accuracy of the statements contained herein relating to the University, nor does it directly or indirectly guarantee, endorse or warrant (1) the creditworthiness or credit standing of the University, (2) the sufficiency of the security for the Series V-3 Bonds or (3) the value or investment quality of the Series V-3 Bonds. The Authority makes no representations or warranties whatsoever with respect to any information contained herein except for the information under the captions “THE AUTHORITY” and “REGULATORY MATTERS AND LITIGATION – The Authority.”

The Underwriters have provided the following sentence for inclusion in this Official Statement. The Underwriters have reviewed the information in this Official Statement in accordance with, and as part of, their responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Underwriters do not guarantee the accuracy or completeness of such information.

Estimates and opinions are included and should not be interpreted as statements of fact. Summaries of documents do not purport to be complete statements of their provisions. The information and expressions of opinion herein are subject to change without notice, and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the Authority or the University since the date hereof. See “CERTAIN INVESTMENT CONSIDERATIONS” herein.

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\$241,545,000
CALIFORNIA EDUCATIONAL FACILITIES AUTHORITY
REVENUE BONDS (STANFORD UNIVERSITY)
SERIES V-3

INTRODUCTION

This Introduction does not purport to be complete, and reference is made to the remainder of this Official Statement, the Appendices and the documents referred to herein for more complete statements with respect to the matters summarized. Capitalized terms not otherwise defined will have the meanings set forth in Appendix B – “SUMMARY OF PRINCIPAL LEGAL DOCUMENTS – Definitions.”

General

This Official Statement, including the cover page and Appendices hereto (this “Official Statement”), provides certain information in connection with the offering of \$241,545,000 aggregate principal amount of California Educational Facilities Authority Revenue Bonds (Stanford University) Series V-3 (the “Series V-3 Bonds”).

The Series V-3 Bonds will be issued pursuant to the provisions of the California Educational Facilities Authority Act, constituting Chapter 2 (commencing with Section 94100) of Part 59 of Division 10 of Title 3 of the Education Code of the State of California, as amended (the “Act”), and the Indenture (defined below).

The Series V-3 Bonds will be issued pursuant to and secured by an Indenture, dated as of April 1, 2019 (the “Original Indenture”), as supplemented by the First Supplemental Indenture, dated as of April 1, 2021 (the “First Supplemental Indenture”) and the Second Supplemental Indenture, dated as of June 1, 2023 (the “Second Supplemental Indenture,” and, together with the Original Indenture and the First Supplemental Indenture, the “Indenture”), between the California Educational Facilities Authority (the “Authority”) and The Bank of New York Mellon Trust Company, N.A., as trustee (the “Trustee”). The Authority will lend the proceeds of the Series V-3 Bonds to The Board of Trustees of the Leland Stanford Junior University (the “University”) pursuant to a Loan Agreement, dated as of April 1, 2019, as supplemented by the First Supplemental Loan Agreement, dated as of April 1, 2021 and the Second Supplemental Loan Agreement, dated as of June 1, 2023 (as supplemented, the “Loan Agreement”), between the Authority and the University.

Purpose of the Series V-3 Bonds

The Authority approved the issuance of the Series V-3 Bonds to finance and/or refinance certain capital projects of the University pursuant to Resolution No. 323, adopted on February 28, 2019, as supplemented by the First Amendment to and Reinstatement of Resolution No. 323, adopted on March 25, 2021 and the Second Amendment to and Reinstatement of Resolution No. 323, adopted on April 27, 2023 (collectively, the “Series V Resolution”).

The Authority will lend the proceeds of the Series V-3 Bonds to the University pursuant to the Loan Agreement in order to finance or refinance (and which may include the retirement of certain outstanding commercial paper and the payment of a revolving line of credit of the University) certain capital projects of the University, as further described herein. See “PLAN OF FINANCE” and “SOURCES AND USES OF FUNDS” herein.

The University

Founded in 1885, The Leland Stanford Junior University is one of a select group of universities that has achieved eminence in both undergraduate and graduate education and in a broad range of academic disciplines. It is internationally recognized for the quality of its teaching and research, its distinguished faculty and its outstanding student body.

For additional information concerning the University, see Appendix A – “STANFORD UNIVERSITY (INCLUDING FINANCIAL STATEMENTS AND DISCUSSION OF FINANCIAL RESULTS)” attached hereto.

The Series V-3 Bonds

The Series V-3 Bonds are to be dated as of the date of their initial issuance and delivery. The Series V-3 Bonds are issuable in fully registered, book-entry form, and have interest and payment terms as set forth in the Indenture and as described herein. See “THE SERIES V-3 BONDS.”

The Series V-3 Bonds, when issued, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company (“DTC”). DTC will act as securities depository of the Series V-3 Bonds. Individual purchases of the Series V-3 Bonds will be made in book-entry form only. Principal (or Redemption Price) of and interest on the Series V-3 Bonds will be payable by the Trustee directly to DTC, as the registered owner of the Series V-3 Bonds. Upon receipt of payments of principal (or Redemption Price) and interest, DTC is to remit such principal (or Redemption Price) and interest to the DTC Participants for subsequent disbursement to the Beneficial Owners (as defined in Appendix C) of the Series V-3 Bonds. Purchasers will not receive certificates representing the Series V-3 Bonds purchased by them. See Appendix C – “BOOK-ENTRY ONLY SYSTEM.”

Security for the Series V-3 Bonds

The Series V-3 Bonds are payable from loan payments to be paid by the University to the Trustee pursuant to the Loan Agreement. The obligation of the University to make loan payments under the Loan Agreement is an unsecured general obligation of the University. The University has other unsecured general obligations outstanding. The Loan Agreement contains certain covenants for the protection of the Holders of the Series V-3 Bonds and the Authority. See Appendix B – “SUMMARY OF PRINCIPAL LEGAL DOCUMENTS – Loan Agreement.” The Series V-3 Bonds are not secured by a reserve fund, or a lien on, or security interests in, any funds, revenues or other assets of the University, except to the extent pledged pursuant to the Indenture as described below. The affiliates of the University described in Appendix A hereto are not obligated with respect to the payment of debt service on the Series V-3 Bonds and their assets and revenues are not pledged and are not expected to be available to the University or the Series V-3 Bondholders for such purpose.

The Indenture provides that all Series V-3 Revenues and any other amounts (including proceeds of the sale of Series V-3 Bonds) held in the funds and accounts with respect to the Series V-3 Bonds (the “Series V-3 Funds and Accounts”) held by the Trustee and established pursuant to the Indenture (other than the Series V-3 Rebate Account) are to be held in trust and are exclusively and irrevocably pledged for the security and payment of the principal of and interest on the Series V-3 Bonds. “Series V-3 Revenues” include the payments received by the Authority or the Trustee from the University related to the Series V-3 Bonds pursuant to or with respect to the Loan Agreement. See “SECURITY FOR THE SERIES V-3 BONDS” herein. Pursuant to the Original Indenture and the First Supplemental Indenture, the Authority had previously issued its Revenue Bonds (Stanford University), Series V-1 (the “Series V-1 Bonds”) and its Revenue Bonds (Stanford University), Series V-2 (the “Series V-2 Bonds”). The Series V-3 Revenues do not include the payments received by the Authority or the Trustee from the University

related to the Series V-1 Bonds or the Series V-2 Bonds pursuant to or with respect to the Loan Agreement (the “Series V-1/V-2 Revenues”). The Series V-1/V-2 Revenues are not pledged for the security and payment of the principal of and interest on the Series V-3 Bonds.

For additional information concerning the provisions of the Indenture and the Loan Agreement, see Appendix B – “SUMMARY OF PRINCIPAL LEGAL DOCUMENTS.”

Continuing Disclosure

The University will undertake in a Continuing Disclosure Agreement, for the benefit of the Holders of the Series V-3 Bonds, to provide to the Trustee certain annual information and notices required to be provided by Rule 15c2-12 promulgated by the Securities and Exchange Commission under the Securities Exchange Act of 1934, as amended (the “Rule”). See “CONTINUING DISCLOSURE” and Appendix D – “FORM OF CONTINUING DISCLOSURE AGREEMENT.”

Miscellaneous

Included in this Official Statement and the Appendices hereto are descriptions of the University, the Series V-3 Bonds, the Indenture and the Loan Agreement. All references herein to the Indenture, the Loan Agreement and other documents relating to the Series V-3 Bonds are qualified in their entirety by reference to such documents, and the description herein of the Series V-3 Bonds is qualified in its entirety by reference to the terms thereof and the information regarding the Series V-3 Bonds included in the Indenture. All descriptions are further qualified in their entirety by reference to laws relating to or affecting the enforcement of creditors’ rights. The agreements of the Authority with the Holders of the Series V-3 Bonds are fully set forth in the Indenture, and neither any advertisement of the Series V-3 Bonds nor this Official Statement is to be construed as constituting an agreement with the Holders of the Series V-3 Bonds. Insofar as any statements are made in this Official Statement involving matters of opinion, regardless of whether expressly so stated, they are intended merely as such and not as representations of fact. The information and expressions of opinion herein speak only as of their date and are subject to change without notice. Neither delivery of this Official Statement nor any sale made hereunder nor any future use of this Official Statement shall, under any circumstances, create any implication that there has been no change in the affairs of the Authority or the University.

Additional information regarding this Official Statement and copies of the documents referred to herein may be obtained by contacting the Office of the Treasurer, Stanford University at <https://treasurer.stanford.edu/> or on-line at <http://bondholder-information.stanford.edu>. The information on the University’s website is not a part of this Official Statement.

THE AUTHORITY

General

The Authority is a public instrumentality of the State of California created pursuant to the provisions of the Act. The Authority is authorized to issue the Series V-3 Bonds under the Act, to make the loan contemplated by the Loan Agreement and to secure the Series V-3 Bonds by the pledge of the Series V-3 Revenues received by the Authority pursuant to the Loan Agreement and certain other sources of payment as provided in the Indenture, including amounts held in the Series V-3 Funds and Accounts (excluding the Series V-3 Rebate Account).

Organization and Membership

The membership of the Authority consists of the Treasurer, the Controller and the Director of Finance of the State of California and two members appointed by the Governor of the State of California. Of the two appointed members, one must be affiliated with a public institution of higher education as a governing board member or in an administrative capacity and the other must be affiliated with a private institution of higher education as a governing board member or in an administrative capacity.

Outstanding Indebtedness of the Authority

The Act does not limit the amount of indebtedness the Authority may have outstanding from time to time. As of March 31, 2023, the Authority had outstanding \$4,141,152,093 aggregate principal amount of bonds and notes (excluding certain bonds and notes which have been defeased) issued on behalf of various California independent colleges and universities.

PLAN OF FINANCE

The University plans to use the proceeds of the Series V-3 Bonds to finance or refinance (and which may include the retirement of certain outstanding commercial paper and the payment of a revolving line of credit of the University) certain capital projects of the University. These capital projects include certain capital projects of the University approved pursuant to the Series V Resolution and certain capital projects refinanced with the proceeds of the Authority's Refunding Revenue Bonds (Stanford University), Series T-5.

The Indenture provides that additional series of bonds may be issued after satisfying certain conditions under the Indenture. However, the University is not restricted by the Loan Agreement from incurring additional indebtedness. Such additional indebtedness, if issued, may be either secured or unsecured and may be entitled to payment prior to the loan payments due under the Loan Agreement. See "SECURITY FOR THE SERIES V-3 BONDS" and Appendix B – "SUMMARY OF PRINCIPAL LEGAL DOCUMENTS." After the issuance of the Series V-3 Bonds, \$58,455,000 in bonds will remain authorized and unissued under the Series V Resolution.

SOURCES AND USES OF FUNDS

Estimated sources and uses of funds related to the Series V-3 Bonds are shown below:

SOURCES:

Principal amount of the Series V-3 Bonds	\$241,545,000
Original Issue Premium	58,451,475
University Contribution	1,103,531
Total Sources ⁽¹⁾	<u>\$301,100,005</u>

USES:

Capital Projects	\$299,996,475
Costs of Issuance ⁽²⁾	1,103,531
Total Uses ⁽¹⁾	<u>\$301,100,005</u>

⁽¹⁾ Total does not foot due to rounding.

⁽²⁾ Costs of issuance will be paid out of the University's contribution and includes fees of the Authority, the Rating Agencies, the Trustee, Bond Counsel, Counsel to the University and the Underwriters' compensation, as well as certain other costs incurred in connection with the issuance and delivery of the Series V-3 Bonds.

THE SERIES V-3 BONDS

General

The Series V-3 Bonds will be issued in book-entry form in denominations of \$5,000 or any integral multiple thereof. The Series V-3 Bonds are being issued in the aggregate principal amount and will mature on the date set forth on the cover page hereof. The Series V-3 Bonds are to be dated as of the date of their initial issuance and delivery and will bear interest from such date at the rates set forth on the cover page hereof. Interest on the Series V-3 Bonds will be payable on June 1 and December 1 of each year, commencing December 1, 2023, and will be calculated based on a 360-day year of twelve (12) 30-day months.

The Series V-3 Bonds will be issued only in book-entry form and, when issued, will be registered in the name of Cede & Co. or such other name as may be requested by an authorized representative of DTC as nominee of DTC. DTC will act as securities depository for the Series V-3 Bonds. See Appendix C – "BOOK-ENTRY ONLY SYSTEM." Except as described in Appendix C – "BOOK-ENTRY ONLY SYSTEM," Beneficial Owners of the Series V-3 Bonds will not receive, or have the right to receive, physical delivery of certificates representing their ownership interests in the Series V-3 Bonds. For so long as any purchaser is the Beneficial Owner of a Series V-3 Bond, such purchaser must maintain an account with a broker or dealer who is or acts through a Direct Participant (as defined in Appendix C) to receive payment of the principal (or Redemption Price) and interest on such Series V-3 Bond.

Interest payable on any Interest Payment Date will be payable to the registered owner of the Series V-3 Bonds (a "Holder" or "Series V-3 Bondholder") as of the close of business on the Record Date for such Interest Payment Date. So long as the Series V-3 Bonds are held in the book-entry system, the principal (or Redemption Price) and interest on the Series V-3 Bonds will be paid through the facilities of DTC (or a successor securities depository). Otherwise, the principal (or Redemption Price) of the Series V-3 Bonds is payable in lawful money of the United States of America upon surrender thereof at the principal corporate trust office of the Trustee, and interest on the Series V-3 Bonds is payable by check mailed on each Interest Payment Date to the Holders of the Series V-3 Bonds at the close of business on

the Record Date for each Interest Payment Date at the addresses of Holders as they appear on the registration books of the Trustee. In the case of a Holder of all of the Series V-3 Bonds and any Holder of the Series V-3 Bonds in an aggregate principal amount in excess of \$1,000,000 who, prior to the Record Date next preceding any Interest Payment Date, has provided the Trustee with written wire transfer instructions to a bank or trust company located in the United States of America, interest payable on such Series V-3 Bonds will be paid in accordance with the wire transfer instructions provided by the Holder of such Series V-3 Bond and at the Holder's risk and expense.

Pursuant to the Indenture, the Trustee will require the Series V-3 Bondholder requesting a transfer or exchange of any Series V-3 Bond to pay any tax or other governmental charge required to be paid with respect to such transfer or exchange, and the Trustee also may require the Series V-3 Bondholder requesting a transfer or exchange of any Series V-3 Bond to pay a reasonable sum to cover expenses incurred by the Trustee or the Authority in connection with such transfer or exchange.

Redemption and Redemption Price

Make-Whole Redemption of Series V-3 Bonds. The Series V-3 Bonds are subject to optional redemption prior to their stated maturity, as a whole or in part on any date, by the Authority at the direction of the University, from any moneys received by the Trustee from the University pursuant to the Loan Agreement and deposited in the Optional Redemption Account, at a Redemption Price equal to the greater of:

- one hundred percent (100%) of the Amortized Value (as described below) of such Series V-3 Bonds to be redeemed, plus accrued and unpaid interest to the date of redemption; or
- an amount equal to the sum of the present values of the remaining unpaid payments of principal and interest to be paid on such Series V-3 Bonds to be redeemed from and including the date of redemption to the stated maturity date of such Series V-3 Bonds, discounted to the date of redemption on a semiannual basis at a discount rate equal to the Applicable Tax-Exempt Municipal Bond Rate (as described below) for such Series V-3 Bonds minus 25 basis points (0.25%).

The "Applicable Tax-Exempt Municipal Bond Rate" for such Series V-3 Bonds will be the "Comparable AAA General Obligations" yield curve rate for the stated maturity date of such Series V-3 Bonds as published by Municipal Market Data at least five (5) business days, but not more than ten (10) business days, prior to the date of redemption. If no such yield curve rate is established for the applicable year, the "Comparable AAA General Obligations" yield curve rate for the two published maturities most closely corresponding to the applicable year will be determined, and the "Applicable Tax-Exempt Municipal Bond Rate" will be interpolated or extrapolated from those yield curve rates on a straight-line basis.

In calculating the Applicable Tax-Exempt Municipal Bond Rate, should Municipal Market Data no longer publish the "Comparable AAA General Obligations" yield curve rate, then the Applicable Tax-Exempt Municipal Bond Rate will equal the Consensus Scale yield curve rate published by Municipal Market Advisors for the applicable year.

In the further event that Municipal Market Advisors no longer publishes the Consensus Scale, the Applicable Tax-Exempt Municipal Bond Rate for the Series V-3 Bonds will be determined by J.P. Morgan Securities LLC or a successor determined by the University, as the quotation agent, based upon the rate per annum equal to the semiannual equivalent yield to maturity of those tax-exempt general obligation bonds rated in the highest rating category by Moody's Investors Service, Inc. ("Moody's") and S&P Global Ratings ("S&P") with a maturity date equal to the stated maturity date of such Series V-3

Bonds having characteristics (other than the ratings) most comparable to those of such Series V-3 Bonds in the judgment of the quotation agent. The quotation agent's determination of the Applicable Tax-Exempt Municipal Bond Rate is final and binding in the absence of manifest error.

The "Amortized Value" will equal the principal amount of the Series V-3 Bonds to be redeemed multiplied by the price of such Series V-3 Bonds expressed as a percentage, calculated based on the industry standard method of calculating bond prices, with a delivery date equal to the date of redemption, a maturity date equal to the stated maturity date of such Series V-3 Bonds and a yield equal to such Series V-3 Bonds' original reoffering yield as set forth on the cover of this Official Statement.

The Redemption Price of the Series V-3 Bonds described above will be determined by an independent accounting firm, investment banking firm or financial advisor (which accounting firm or financial advisor shall be retained by the University at the expense of the University) to calculate such Redemption Price. The Trustee, the Authority and the University may conclusively rely on such accounting firm's, investment banking firm's or financial advisor's determination of such Redemption Price and will bear no liability for such reliance.

No Mandatory Sinking Fund Redemption. The Series V-3 Bonds are not subject to mandatory redemption prior to their stated maturities.

Selection of Series V-3 Bonds for Redemption. Whenever provision is made in the Indenture for the redemption of less than all of the Series V-3 Bonds, the Trustee will select the Series V-3 Bonds to be redeemed, from all Series V-3 Bonds subject to redemption or such given portion thereof not previously called for redemption, in such order as will be specified in a Request of the University or, if there is no such Request, in the order of maturity, and by lot within a maturity. The Trustee will promptly notify the Authority in writing of the numbers of the Series V-3 Bonds so selected for redemption.

Notice of Redemption. Not less than five (5) days (or such shorter time as may be agreed to by the University and the Trustee) prior to the date that notice of redemption is due to be given by the Trustee in accordance with the following sentence, the University will provide written notice to the Trustee and the Authority regarding its intent to prepay all or any part of Base Loan Payments pursuant to the Loan Agreement. After receipt of such notice of prepayment pursuant to the Loan Agreement, notice of redemption will be given by the Trustee for and on behalf of the Authority, by Mail, not less than twenty (20) days nor more than sixty (60) days prior to the date fixed for redemption, to: (1) the Authority, (2) the Holder of each Series V-3 Bond affected at the address shown on the registration books of the Trustee on the date such notice is mailed, (3) the Depository, (4) the Municipal Securities Rulemaking Board, and (5) in the case of optional redemption, each Rating Agency then rating the Series V-3 Bonds.

Each notice of redemption will state the date of such notice, the Series V-3 Bonds to be redeemed, the date of issue of the Series V-3 Bonds, the date fixed for redemption, the Redemption Price of the Series V-3 Bonds to be redeemed, the place or places of redemption (including the name and appropriate address or addresses of the Trustee), the source of funds for any optional redemption and, as further described in the following paragraph, if such funds are not then held by the Trustee, that such redemption will be canceled if the funds are not held by the Trustee on the date fixed for redemption, the CUSIP number of the Series V-3 Bonds, the principal amount, the distinctive certificate numbers of the Series V-3 Bonds or portions thereof to be redeemed, the interest rate on the Series V-3 Bonds to be redeemed and will also state that the interest on the Series V-3 Bonds designated for redemption will cease to accrue from and after such date fixed for redemption and that on said date there will become due and payable on each of said Series V-3 Bonds the principal amount thereof to be redeemed, interest accrued thereon to the date fixed for redemption and the Redemption Price thereof and will require that

such Series V-3 Bonds be then surrendered at the address or addresses of the Trustee specified in the redemption notice.

Failure by the Trustee to give notice pursuant to the Indenture to any one or more of the securities information services or depositories designated by the University or the insufficiency of any such notice will not affect the sufficiency of the proceedings for redemption. Failure by the Trustee to mail notice of redemption pursuant to the Indenture to any one or more of the respective Holders of any Series V-3 Bonds designated for redemption will not affect the sufficiency of the proceedings for redemption with respect to the Holders to whom such notice was mailed.

Notice of redemption of Series V-3 Bonds will be given by the Trustee, at the expense of the University, for and on behalf of the Authority.

With respect to any notice of optional redemption of Series V-3 Bonds, such notice may state that such redemption will be conditional upon the receipt by the Trustee on or prior to the date fixed for such redemption of moneys sufficient to pay the principal (or Redemption Price) of and interest on such Series V-3 Bonds to be redeemed and that, if such moneys will not have been so received, said notice will be of no force and effect and the Trustee will not be required to redeem such Series V-3 Bonds. In the event that such notice of redemption contains such a condition and such moneys are not so received, the redemption will not be made, and the Trustee will within a reasonable time thereafter give notice, in the manner in which the notice of redemption was given, that such moneys were not so received.

Any notice given pursuant to the Indenture may be rescinded by written notice given to the Trustee by the University no later than five (5) Business Days prior to the date fixed for redemption. The Trustee will give notice of such rescission as soon thereafter as practicable in the same manner, and to the same persons, as notice of such redemption was given pursuant to the Indenture.

So long as the book-entry system is in effect, the Trustee will send each notice of redemption to Cede & Co., as nominee of DTC, and not to the Beneficial Owners. So long as DTC or its nominee is the sole registered owner of the Series V-3 Bonds under the book-entry system, any failure on the part of DTC or a Direct Participant or Indirect Participant to notify the Beneficial Owner so affected will not affect the validity of the redemption.

Partial Redemption of Series V-3 Bonds. Upon surrender of any Series V-3 Bond redeemed in part only, the Trustee will provide a replacement Series V-3 Bond in a principal amount equal to the portion of such Series V-3 Bond not redeemed, and deliver it to the registered owner thereof. The Series V-3 Bond so surrendered will be canceled by the Trustee as provided in the Indenture. The Authority and the Trustee will be fully released and discharged from all liability to the extent of payment of the Redemption Price for such partial redemption.

Effect of Redemption. Notice of redemption having been duly given as aforesaid, and moneys for payment of the Redemption Price (including accrued interest to the date fixed for redemption) being held by the Trustee, Series V-3 Bonds so called for redemption will, on the date fixed for redemption designated in such notice, become due and payable at the Redemption Price specified in such notice, interest on the Series V-3 Bonds so called for redemption will cease to accrue, said Series V-3 Bonds will cease to be entitled to any lien, benefit or security under the Indenture, and the Holders of said Series V-3 Bonds will have no rights in respect thereof except to receive payment of the Redemption Price thereof. If such moneys are invested, they will be invested only in United States Government Obligations having a maturity of thirty (30) days or less.

All Series V-3 Bonds redeemed pursuant to the provisions of the Indenture will be canceled upon surrender thereof and delivered to or upon the Order of the Authority.

Mandatory Purchase in Lieu of Redemption. Each Holder, by purchase and acceptance of any Series V-3 Bond, irrevocably grants to the University the option to purchase such Series V-3 Bond at any time such Series V-3 Bond is subject to optional redemption as provided in the Indenture, at a purchase price equal to one hundred percent (100%) of the then applicable Redemption Price of such Series V-3 Bond. In order to exercise such option, the University will deliver to the Trustee and the Authority a Favorable Opinion of Bond Counsel to the effect that such purchase will not, in and of itself, cause the interest on the Series V-3 Bonds to be included in gross income, and the University will direct the Trustee to provide notice of mandatory purchase, such notice to be provided, as and to the extent applicable, in accordance with the provisions set forth in the Indenture. On the date fixed for purchase of any Series V-3 Bond pursuant to the Indenture, the University will pay the purchase price of such Series V-3 Bond to the Trustee in immediately available funds and the Trustee will pay the same to the Holders of Series V-3 Bonds being purchased against delivery thereof. Following such purchase, the Trustee will register such Series V-3 Bonds in accordance with the written instructions of the University. No purchase of any Series V-3 Bond pursuant to the Indenture will operate to extinguish the indebtedness evidenced by such Series V-3 Bond. No Holder may elect to retain a Series V-3 Bond subject to mandatory purchase pursuant to the Indenture. The University may exercise its option to purchase Series V-3 Bonds, in whole or in part, in accordance with the Indenture and may rescind any notice of mandatory purchase delivered pursuant to the Indenture at any time on or prior to the date of mandatory purchase specified in the notice of mandatory purchase delivered pursuant to the Indenture.

SECURITY FOR THE SERIES V-3 BONDS

The Series V-3 Bonds are payable from loan payments to be paid by the University to the Trustee pursuant to the Loan Agreement. The obligation of the University to make loan payments under the Loan Agreement is an unsecured general obligation of the University. The Loan Agreement contains certain covenants for the protection of the Holders of the Series V-3 Bonds and the Authority. See Appendix B – “SUMMARY OF PRINCIPAL LEGAL DOCUMENTS – Loan Agreement.” The Series V-3 Bonds are not secured by a reserve fund, or a lien on, or security interests in, any funds, revenues or other assets of the University, except to the extent pledged pursuant to the Indenture as described below. The affiliates of the University described in Appendix A hereto are not obligated with respect to the payment of debt service on the Series V-3 Bonds and their assets and revenues are not pledged and are not expected to be available to the University or the Series V-3 Bondholders for such purpose.

The Indenture provides that all Series V-3 Revenues and any other amounts (including proceeds of the sale of Series V-3 Bonds) held in the Series V-3 Funds and Accounts (other than the Series V-3 Rebate Account) are to be held in trust and are exclusively and irrevocably pledged for the security and payment of the principal of and interest on the Series V-3 Bonds. The Series V-3 Revenues do not include the Series V-1/V-2 Revenues. The Series V-1/V-2 Revenues are not pledged for the security and payment of the principal of and interest on the Series V-3 Bonds.

The Loan Agreement does not contain any financial covenants limiting the ability of the University to incur indebtedness or any other similar covenants. Further, the University is not required by the Loan Agreement to produce revenues at any specified level. The Loan Agreement contains certain covenants limiting the ability of the University to encumber or dispose of its Bond-financed property, but it does not contain general financial covenants limiting encumbrance or disposal of University property.

The University has other unsecured general obligations outstanding. See Appendix A – “STANFORD UNIVERSITY (INCLUDING FINANCIAL STATEMENTS AND DISCUSSION OF FINANCIAL RESULTS).” Moreover, the University is not restricted by the Loan Agreement from incurring additional indebtedness. Such additional indebtedness, if issued, may be either secured or unsecured and may be entitled to payment prior to the loan payments due under the Loan Agreement.

For additional information concerning the provisions of the Indenture and the Loan Agreement, see Appendix B – “SUMMARY OF PRINCIPAL LEGAL DOCUMENTS.”

The Series V-3 Bonds shall not be deemed to constitute a debt or liability of the State of California or of any political subdivision thereof other than the Authority or a pledge of the faith and credit of the State of California or of any political subdivision thereof, but shall be payable solely from the funds therefor provided. Neither the State of California nor the Authority shall be obligated to pay the principal (or Redemption Price) of the Series V-3 Bonds, or the interest thereon except from Series V-3 Revenues and the other assets pledged under the Indenture and neither the faith and credit nor the taxing power of the State of California or of any political subdivision thereof is pledged to the payment of the principal (or Redemption Price) of or the interest on the Series V-3 Bonds. The issuance of the Series V-3 Bonds shall not directly or indirectly or contingently obligate the State of California or any political subdivision thereof to levy or to pledge any form of taxation whatever therefor or to make any appropriation for their payment. The Authority has no taxing power.

ENFORCEABILITY OF REMEDIES

The remedies available to the Trustee or the Holders of the Series V-3 Bonds upon an event of default under the Indenture or the Loan Agreement are in many respects dependent upon judicial actions which are often subject to discretion and delay, and such remedies may not be readily available or may be limited. In particular, the University may become the subject of a case under the United States Bankruptcy Code. In such a bankruptcy case, the Trustee and the Holders of the Series V-3 Bonds may be prohibited from taking any action to collect any amount from the University or to enforce any obligation of the University, without the bankruptcy court’s permission. These restrictions may also prevent the Trustee from making payments to the Holders of the Series V-3 Bonds from funds in the possession of the Trustee. As part of its plan of reorganization, the University may be able to alter the priority, interest rate, principal amount, payment terms, collateral, maturity dates, payment sources, covenants (including tax-related covenants), and other terms or provisions of the Series V-3 Bonds, the Indenture, the Loan Agreement, and the other related transaction documents, as long as the bankruptcy court determines that the alterations are fair and equitable. Payments previously made to the Holders of the Series V-3 Bonds during the 90 days (or possibly one year) immediately preceding the commencement of the bankruptcy case may be avoided as preferential payments, so that the Holders would be required to return such payments to the University. Actions could be taken in a bankruptcy of the University that could adversely affect the exclusion of interest on the Series V-3 Bonds from gross income for federal income tax purposes. There also may be other possible effects of a bankruptcy of the University that could result in delays or reductions in payments on the Series V-3 Bonds, or other losses on the Series V-3 Bonds. Moreover, regardless of any specific adverse determinations in any University bankruptcy case, the existence of a University bankruptcy case could have an adverse effect on the liquidity and value of the Series V-3 Bonds. The various legal opinions to be delivered concurrently with the Series V-3 Bonds (including Bond Counsel’s approving opinion) will be qualified, as to the enforceability of the various legal instruments, by limitations imposed by bankruptcy, reorganization, insolvency or other similar laws affecting the rights of creditors generally and by general principles of equity applied in the exercise of judicial discretion.

CERTAIN INVESTMENT CONSIDERATIONS

The following are certain investment considerations that have been identified by the University and should be carefully considered by prospective purchasers of the Series V-3 Bonds. The following list should not be considered to be exhaustive. Investors should read the Official Statement in its entirety. Inclusion of certain factors below is not intended to signify that there are no other investment considerations or risks attendant to the Series V-3 Bonds. See Appendix A – “STANFORD

UNIVERSITY (INCLUDING FINANCIAL STATEMENTS AND DISCUSSION OF FINANCIAL RESULTS)” for additional information about the University.

The University’s stature in the educational community and its consolidated revenues, expenses, assets and liabilities may be affected by events, developments and conditions relating generally to, among other things, the ability of the University to (a) conduct educational and research activities of the types and quality required to maintain its stature, (b) generate sufficient revenues, while controlling expenses, to fund adequately the cost of these activities, (c) attract faculty, staff and management necessary to conduct these activities, (d) attract a student body of commensurate quality and (e) build and maintain the facilities necessary to conduct these activities.

Success in these areas depends upon the ability of the University and its management to respond to substantial challenges in a rapidly changing environment. For example:

(i) Volatility and dislocations in the global financial markets and other economic factors may reduce the value of the University’s investment portfolio, impact investment returns, increase liabilities associated with investments, reduce investment income distributable from the endowment and other expendable funds for operations, affect the ability of donors to pledge resources or meet their pledge obligations, increase demand for financial aid, and increase interest costs on the University’s debt. See Notes 6, 7, 9, 10 and 11 to the consolidated financial statements of the University as of and for the years ended August 31, 2022 and 2021 included in Part II of Appendix A hereto.

(ii) Liquidity constraints may impact the University’s ability to fund its commitments for operating expenses, construction, capital calls and possible tenders of variable rate debt.

(iii) The Federal Government may reduce levels of sponsored research funding and reimbursement for administrative overhead and infrastructure.

(iv) Health care services revenue flowing from the hospitals to the University may be impacted by the factors affecting the hospitals’ financial performance as described below.

(v) Legislation and regulation by governmental authorities may affect the tax-exempt status of, and associated tax benefits accorded to, educational institutions such as the University, impose constraints or mandates on tuition levels and endowment payout, or impose significant new compliance requirements with associated costs.

(vi) Counties or municipalities in which the University operates may constrain additional facility and infrastructure expansion, or impose significant costs.

(vii) The ability to recruit and retain faculty, graduate students, postdoctoral scholars and staff may be impaired by the high regional cost of living and the limited availability of affordable housing within reasonable commuting distance.

The preservation and growth of the University’s endowment are affected not only by the factors noted above but by discretionary changes in the annual payout to operations from endowment earnings, transfers of expendable funds and other distributions, all of which are subject to changes in policies and practices made by the Board of Trustees and University management.

In addition to the challenges noted above, a variety of risks, uncertainties and other factors may affect the financial strength and stature of the University. By its nature, the University is an open environment, potentially vulnerable to disruption of operations, injury and damage notwithstanding its security and public safety programs. It is subject to governmental regulations and mandates,

investigations and enforcement actions and private litigation, and may incur substantial costs of compliance, defense, sanctions, penalties and reputational harm for violation of applicable laws. The University self-insures for the first \$2 million to \$3 million of liability claims and carries limited liability insurance for losses exceeding this amount. In addition, certain types of claims may not be reimbursed by insurance policies.

The University is a large landowner and lessor and as such is subject to numerous environmental laws and regulations; it routinely stores, uses and produces hazardous substances in its operations; it houses thousands of students, faculty and others; it maintains confidential personal information and protected health information, including electronically, subject to information security and privacy laws; it can experience data privacy and security incidents related to such information, which may stem from a variety of causes ranging from deliberate invasions and cyberattacks to inadvertent loss, exposure, or theft of paper or electronic records. The University self-insures the first \$1.5 million of property losses per occurrence resulting from fire and other hazards, including terrorism, and carries limited property insurance for losses exceeding this amount. In addition, the University carries limited insurance for damage to facilities sustained from flooding and minimal insurance for damage to facilities due to seismic events. The University is located in a region that is subject to significant seismic activity, as well as significant weather-related events, including wildfires and floods. In the event of a significant seismic event or a significant weather-related event, the University could suffer substantial damage to its facilities and disruption of its operations.

Because the financial results of the University are reported on a consolidated basis with those of its hospital affiliates (the “Hospitals”), these consolidated financial results will be affected by the financial results of the Hospitals. The Hospitals’ financial results, in turn, will be affected not only by the factors set forth above but specifically by demand for the medical services they provide, the amounts of third-party payments received, limitations on and inadequate governmental reimbursements for medical services and graduate medical education, increasing costs of providing indigent care, escalating costs of personnel and equipment and inpatient capacity constraints that limit the Hospitals’ ability to absorb increased costs through greater volume. In addition, industry trends, adverse legislative and regulatory developments such as state or federal adoption of a single-payor reimbursement system, and government enforcement actions could also negatively impact the Hospitals’ results. Among other things, due in part to the Patient Protection and Affordable Care Act (the “ACA”) enacted in 2010, the United States health care system has experienced significant changes in recent years affecting the delivery of health care services, the financing of health care costs, reimbursement of health care providers and the legal obligations of health insurers, providers, employers and consumers. These changes are ongoing, continue to be challenged in various venues and could have adverse financial impacts on the Hospitals. Legislative and regulatory actions to repeal, postpone and replace elements of the ACA or other components of the United States health care system create unpredictability for the strategic and business planning efforts of health care providers, which creates additional risks. Further, the Hospitals’ operations and financial results may be adversely affected by consequences of the COVID-19 pandemic or future pandemics.

For a discussion of certain financial challenges facing the University, see Appendix A – “STANFORD UNIVERSITY (INCLUDING FINANCIAL STATEMENTS AND DISCUSSION OF FINANCIAL RESULTS) – PART I – GENERAL INFORMATION ABOUT STANFORD UNIVERSITY – Capital Improvement Programs,” “– Hospitals,” “– Investments,” and “– Liquidity,” and “– PART II, STANFORD UNIVERSITY’S FY2022 ANNUAL FINANCIAL REPORT – Management’s Discussion and Analysis” attached hereto.

The events, developments and conditions described above are, or may be, of a magnitude such that they could have a material adverse effect on the financial results and condition of the University.

REGULATORY MATTERS AND LITIGATION

The Authority

To the knowledge of the officers of the Authority, there is no litigation of any nature now pending (with service of process having been accomplished) or threatened against the Authority, seeking to restrain or enjoin the issuance, sale, execution or delivery of the Series V-3 Bonds, or in any way contesting or affecting the validity of the Series V-3 Bonds, any proceedings of the Authority taken concerning the issuance or sale thereof, the pledge or application of any moneys or security provided for the payment of the Series V-3 Bonds, or the existence or powers of the Authority relating to the issuance of the Series V-3 Bonds.

The University

The University is subject to various suits, audits, investigations and other legal proceedings in the course of its operations. See “Regulatory Matters and Litigation” in Appendix A.

FORWARD-LOOKING STATEMENTS

This Official Statement, which includes all Appendices hereto, contains forward-looking statements that involve risks and uncertainties. Any statements that express, or involve discussions as to expectations, beliefs, plans, objectives, assumptions, future events or performance (often, but not always, through the use of words or phrases such as “will result,” “expects to,” “will continue,” “anticipates,” “plans,” “intends,” “estimated,” “projects” and “outlook”) are not historical and may be forward-looking. Forward-looking statements are subject to known and unknown risks, uncertainties and other factors, including, but not limited to, the risks described under the heading “CERTAIN INVESTMENT CONSIDERATIONS” which may cause actual results to be materially different from those expressed or implied by such forward-looking statements. Although the University believes that the expectations reflected in the forward-looking statements are reasonable, the University cannot guarantee future results, levels of activity, performance or achievements. Moreover, neither the University nor any other person assumes responsibility for the accuracy or completeness of these statements. Accordingly, investors should not rely on forward-looking statements in this Official Statement. The University undertakes no obligation to publicly update or revise any forward-looking statements in this Official Statement, whether as a result of new information, future events or otherwise.

TAX MATTERS

In the opinion of Orrick, Herrington & Sutcliffe LLP, bond counsel to the Authority (“Bond Counsel”), based upon an analysis of existing laws, regulations, rulings and court decisions, and assuming, among other matters, the accuracy of certain representations and compliance with certain covenants, interest on the Series V-3 Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Code and is exempt from State of California personal income taxes. Bond Counsel is of the further opinion that interest on the Series V-3 Bonds is not a specific preference item for purposes of the federal individual alternative minimum tax. Bond Counsel observes that, for tax years beginning after December 31, 2022, interest on the Series V-3 Bonds included in adjusted financial statement income of certain corporations is not excluded from the federal corporate alternative minimum tax. Bond Counsel expresses no opinion regarding any other tax consequences related to the ownership or disposition of, or the amount, accrual or receipt of interest on, the Series V-3 Bonds. A complete copy of the proposed form of opinion of Bond Counsel is set forth in Appendix E hereto.

To the extent the issue price of any maturity of the Series V-3 Bonds is less than the amount to be paid at maturity of such Series V-3 Bonds (excluding amounts stated to be interest and payable at least annually over the term of such Series V-3 Bonds), the difference constitutes “original issue discount,” the accrual of which, to the extent properly allocable to each Beneficial Owner thereof, is treated as interest on the Series V-3 Bonds which is excluded from gross income for federal income tax purposes and exempt from State of California personal income taxes. For this purpose, the issue price of a particular maturity of the Series V-3 Bonds is the first price at which a substantial amount of such maturity of the Series V-3 Bonds is sold to the public (excluding bond houses, brokers, or similar persons or organizations acting in the capacity of underwriters, placement agents or wholesalers). The original issue discount with respect to any maturity of the Series V-3 Bonds accrues daily over the term to maturity of such Series V-3 Bonds on the basis of a constant interest rate compounded semiannually (with straight-line interpolations between compounding dates). The accruing original issue discount is added to the adjusted basis of such Series V-3 Bonds to determine taxable gain or loss upon disposition (including sale, redemption, or payment on maturity) of such Series V-3 Bonds. Beneficial Owners of the Series V-3 Bonds should consult their own tax advisors with respect to the tax consequences of ownership of Series V-3 Bonds with original issue discount, including the treatment of Beneficial Owners who do not purchase such Series V-3 Bonds in the original offering to the public at the first price at which a substantial amount of such Series V-3 Bonds is sold to the public.

Series V-3 Bonds purchased, whether at original issuance or otherwise, for an amount higher than their principal amount payable at maturity (or, in some cases, at their earlier call date) (“Premium Series V-3 Bonds”) will be treated as having amortizable bond premium. No deduction is allowable for the amortizable bond premium in the case of bonds, like the Premium Series V-3 Bonds, the interest on which is excluded from gross income for federal income tax purposes. However, the amount of tax-exempt interest received, and a Beneficial Owner’s basis in a Premium Series V-3 Bond, will be reduced by the amount of amortizable bond premium properly allocable to such Beneficial Owner. Beneficial Owners of Premium Series V-3 Bonds should consult their own tax advisors with respect to the proper treatment of amortizable bond premium in their particular circumstances.

The Code imposes various restrictions, conditions and requirements relating to the exclusion from gross income for federal income tax purposes of interest on obligations such as the Series V-3 Bonds. The Authority and University have made certain representations and covenanted to comply with certain restrictions, conditions and requirements designed to ensure that interest on the Series V-3 Bonds will not be included in federal gross income. Inaccuracy of these representations or failure to comply with these covenants may result in interest on the Series V-3 Bonds being included in gross income for federal income tax purposes, possibly from the date of original issuance of the Series V-3 Bonds. The opinion of Bond Counsel assumes the accuracy of these representations and compliance with these covenants. Bond Counsel has not undertaken to determine (or to inform any person) whether any actions taken (or not taken), or events occurring (or not occurring), or any other matters coming to Bond Counsel’s attention after the date of issuance of the Series V-3 Bonds may adversely affect the value of, or the tax status of interest on, the Series V-3 Bonds. Accordingly, the opinion of Bond Counsel is not intended to, and may not, be relied upon in connection with any such actions, events or matters.

In addition, Bond Counsel has relied, among other things, on the opinion of the University’s General Counsel regarding the current qualification of the University as an organization described in Section 501(c)(3) of the Code. Such opinion is subject to a number of qualifications and limitations. Bond Counsel has also relied upon representations of the University concerning the University’s “unrelated trade or business” activities as defined in Section 513(a) of the Code. Neither Bond Counsel nor Counsel to the University has given any opinion or assurance concerning Section 513(a) of the Code and neither Bond Counsel nor Counsel to the University can give or has given any opinion or assurance about the future activities of the University, or about the effect of future changes in the Code, the applicable

regulations, the interpretation thereof or the resulting changes in enforcement thereof by the Internal Revenue Service (“IRS”). Failure of the University to be organized and operated in accordance with the IRS’s requirements for the maintenance of its status as an organization described in Section 501(c)(3) of the Code, or to operate the facilities financed by the Series V-3 Bonds in a manner that is substantially related to the University’s charitable purpose under Section 513(a) of the Code, may result in interest payable with respect to the Series V-3 Bonds being included in federal gross income, possibly from the date of the original issuance of the Series V-3 Bonds.

Although Bond Counsel is of the opinion that interest on the Series V-3 Bonds is excluded from gross income for federal income tax purposes and is exempt from State of California personal income taxes, the ownership or disposition of, or the accrual or receipt of amounts treated as interest on, the Series V-3 Bonds may otherwise affect a Beneficial Owner’s federal, state or local tax liability. The nature and extent of these other tax consequences depends upon the particular tax status of the Beneficial Owner or the Beneficial Owner’s other items of income or deduction. Bond Counsel expresses no opinion regarding any such other tax consequences.

Current and future legislative proposals, if enacted into law, clarification of the Code or court decisions may cause interest on the Series V-3 Bonds to be subject, directly or indirectly, in whole or in part, to federal income taxation or to be subject to or exempted from state income taxation, or otherwise prevent Beneficial Owners from realizing the full current benefit of the tax status of such interest. The introduction or enactment of any such legislative proposals or clarification of the Code or court decisions may also affect, perhaps significantly, the market price for, or marketability of, the Series V-3 Bonds. Prospective purchasers of the Series V-3 Bonds should consult their own tax advisors regarding the potential impact of any pending or proposed federal or state tax legislation, regulations or litigation, as to which Bond Counsel expresses no opinion.

The opinion of Bond Counsel is based on current legal authority, covers certain matters not directly addressed by such authorities, and represents Bond Counsel’s judgment as to the proper treatment of the Series V-3 Bonds for federal income tax purposes. It is not binding on the IRS or the courts. Furthermore, Bond Counsel cannot give and has not given any opinion or assurance about the future activities of the Authority or the University or about the effect of future changes in the Code, the applicable regulations, the interpretation thereof or the enforcement thereof by the IRS. The Authority and the University have covenanted, however, to comply with the requirements of the Code, although the Authority’s obligation to comply with the requirements of the Code is dependent in part upon actions of the University and is contingent upon indemnification of the Authority’s expenses therefor.

Bond Counsel’s engagement with respect to the Series V-3 Bonds ends with the issuance of the Series V-3 Bonds, and, unless separately engaged, Bond Counsel is not obligated to defend the Authority, the University or the Beneficial Owners regarding the tax-exempt status of the Series V-3 Bonds in the event of an audit examination by the IRS. In addition, successful defense of an audit examination by the IRS will require participation by the Authority, and the Authority is not obligated to incur expenses to defend an audit examination unless its expenses are paid or reimbursed by the University. Under current procedures, parties other than the Authority, the University and their appointed counsel, including the Beneficial Owners, would have little, if any, right to participate in the audit examination process. Moreover, because achieving judicial review in connection with an audit examination of tax-exempt bonds is difficult, obtaining an independent review of IRS positions with which the Authority or the University legitimately disagrees, may not be practicable. Any action of the IRS, including but not limited to selection of the Series V-3 Bonds for audit, or the course or result of such audit, or an audit of bonds presenting similar tax issues may affect the market price for, or the marketability of, the Series V-3 Bonds, and may cause the Authority, the University or the Beneficial Owners to incur significant expense.

Payments on the Series V-3 Bonds generally will be subject to U.S. information reporting and possibly to “backup withholding.” Under Section 3406 of the Code and applicable U.S. Treasury Regulations issued thereunder, a non-corporate Beneficial Owner of Series V-3 Bonds may be subject to backup withholding with respect to “reportable payments,” which include interest paid on the Series V-3 Bonds and the gross proceeds of a sale, exchange, redemption, retirement or other disposition of the Series V-3 Bonds. The payor will be required to deduct and withhold the prescribed amounts if (i) the payee fails to furnish a U.S. taxpayer identification number (“TIN”) to the payor in the manner required, (ii) the IRS notifies the payor that the TIN furnished by the payee is incorrect, (iii) there has been a “notified payee underreporting” described in Section 3406(c) of the Code or (iv) the payee fails to certify under penalty of perjury that the payee is not subject to withholding under Section 3406(a)(1)(C) of the Code. Amounts withheld under the backup withholding rules may be refunded or credited against a Beneficial Owner’s federal income tax liability, if any, provided that the required information is timely furnished to the IRS. Certain Beneficial Owners (including among others, corporations and certain tax-exempt organizations) are not subject to backup withholding. The failure to comply with the backup withholding rules may result in the imposition of penalties by the IRS.

APPROVAL OF LEGAL PROCEEDINGS

The validity of the Series V-3 Bonds and certain other legal matters are subject to the approving opinion of Orrick, Herrington & Sutcliffe LLP, Bond Counsel to the Authority. A complete copy of the proposed form of Bond Counsel opinion is contained in Appendix E hereto. Certain legal matters will be passed upon for the Underwriters by Hawkins Delafield & Wood LLP, for the Authority by the Attorney General of the State of California and for the University by its General Counsel and Ropes & Gray LLP. None of the counsel mentioned above undertakes any responsibility for the accuracy, completeness or fairness of this Official Statement.

UNDERWRITING

The Treasurer, with the approval of the Authority and the University, has entered into a Bond Purchase Agreement with J.P. Morgan Securities LLC (“JPMS”), as representative of itself and Morgan Stanley & Co. LLC as the underwriters of the Series V-3 Bonds (collectively, the “Underwriters”), pursuant to which and subject to certain conditions, the Underwriters have agreed to purchase the Series V-3 Bonds from the Authority at a price of \$299,996,474.55 (being the principal amount of the Series V-3 Bonds, plus original issue premium of \$58,451,474.55). The Underwriters’ compensation is \$527,887.11, which will be paid by the University from its own funds on the date of issuance of the Series V-3 Bonds. The Series V-3 Bonds may be offered and sold by the Underwriters to certain dealers and others at prices lower than the public offering prices, and the public offering prices may be changed, from time to time, by the Underwriters.

The Underwriters and their respective affiliates are full service financial institutions engaged in various activities, which may include sales and trading, commercial and investment banking, lending, advisory, investment management, investment research, principal investment, hedging, market making, brokerage and other financial and non-financial activities and services. Certain of the Underwriters and their respective affiliates have provided, and may in the future provide, a variety of these services to the University and to persons and entities with relationships with the University, for which they received or will receive customary fees and expenses. Under certain circumstances, the Underwriters and their affiliates may have certain creditor and/or other rights against the University and its affiliates in connection with such activities.

In the ordinary course of their various business activities, the Underwriters and their respective affiliates, officers, directors and employees may purchase, sell or hold a broad array of investments and

actively trade securities, derivatives, loans, commodities, currencies, credit default swaps and other financial instruments for their own account and for the accounts of their customers, and such investment and trading activities may involve or relate to assets, securities and/or instruments of the University (directly, as collateral securing other obligations or otherwise) and/or persons and entities with relationships with the University. The Underwriters and their respective affiliates may also communicate independent investment recommendations, market color or trading ideas and/or publish or express independent research views in respect of such assets, securities or instruments and may at any time hold, or recommend to clients that they should acquire, long and/or short positions in such assets, securities and instruments.

JPMS, one of the Underwriters of the Series V-3 Bonds, has entered into negotiated dealer agreements (each, a “Dealer Agreement”) with each of Charles Schwab & Co., Inc. (“CS&Co.”) and LPL Financial LLC (“LPL”) for the retail distribution of certain securities offerings at the original issue prices. Pursuant to each Dealer Agreement, each of CS&Co. and LPL may purchase Series V-3 Bonds from JPMS at the original issue price less a negotiated portion of the selling concession applicable to any Series V-3 Bonds that such firm sells.

Morgan Stanley & Co. LLC, an Underwriter of the Series V-3 Bonds, has entered into a retail distribution arrangement with Morgan Stanley Smith Barney LLC. As part of the distribution arrangement, Morgan Stanley & Co. LLC may distribute municipal securities to retail investors through the financial advisor network of Morgan Stanley Smith Barney LLC. As part of this arrangement, Morgan Stanley & Co. LLC may compensate Morgan Stanley Smith Barney LLC for its selling efforts with respect to the Series V-3 Bonds.

INDEPENDENT ACCOUNTANTS

The consolidated financial statements as of August 31, 2022 and 2021 and for each of the two years in the period ended August 31, 2022, included in Part II of Appendix A of this Official Statement, have been audited by PricewaterhouseCoopers LLP, independent accountants, as stated in their report appearing herein.

RATINGS

The Series V-3 Bonds have been given an “Aaa” rating by Moody’s, an “AAA” rating by Fitch Ratings, Inc. (“Fitch”), and an “AAA” rating by S&P. An explanation of the significance of the ratings given can be obtained from Moody’s at 7 World Trade Center at 250 Greenwich Street, New York, New York, 10007, from Fitch at 33 Whitehall Street, New York, New York, 10004, and from S&P at 55 Water Street, New York, New York 10041. Such ratings reflect only the views of Moody’s, Fitch and S&P, respectively, and there is no assurance that any of the ratings, if received, will continue for any given period of time or that such ratings will not be lowered or withdrawn entirely if, in the judgment of Moody’s, Fitch or S&P, circumstances so warrant. Any such change in, or withdrawal of, the ratings received could have an adverse effect on the market price of the Series V-3 Bonds.

CONTINUING DISCLOSURE

Because the Series V-3 Bonds are limited obligations of the Authority, payable solely from amounts received from the University and other sources described in the Indenture, any financial or operating data concerning the Authority is not material to an evaluation of the offering of the Series V-3 Bonds or to any decision to purchase, hold or sell the Series V-3 Bonds. Accordingly, the Authority has not provided any such information. The University has undertaken all responsibilities for any continuing disclosure to Holders of the Series V-3 Bonds as described below, and the Authority shall have no liability to the Holders of the Series V-3 Bonds or any other person with respect to the Rule.

In order to assist the Underwriters in complying with the Rule, the University has agreed to enter into a Continuing Disclosure Agreement between the University and the Trustee, for the benefit of Holders of the Series V-3 Bonds, to provide to the Trustee certain annual information and notices of certain listed events required to be provided by the Rule. The proposed form of the Continuing Disclosure Agreement is set forth in Appendix D hereto. The Continuing Disclosure Agreement may be amended or modified without the consent of the Holders of the Series V-3 Bonds under certain circumstances set forth therein.

MISCELLANEOUS

Information relating to DTC and the book-entry system described in Appendix C – “BOOK-ENTRY ONLY SYSTEM” is based upon information obtained from sources believed to be reliable, but none of the Authority, the University or the Underwriters makes any representations or warranties whatsoever with respect to such information.

All of the Appendices hereto are incorporated as an integral part of this Official Statement. The Authority makes no representations or warranties whatsoever with respect to the information contained in Appendices A through E.

The Authority furnished only the information contained under the “THE AUTHORITY” and “REGULATORY MATTERS AND LITIGATION – The Authority” and, except for such information, makes no representation as to the adequacy, completeness or accuracy of this Official Statement or the information contained herein.

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This Official Statement has been delivered by the Authority and approved by the University. This Official Statement is not to be construed as a contract or agreement among any of the Authority, the University and the purchasers or Holders of the Series V-3 Bonds.

CALIFORNIA EDUCATIONAL FACILITIES
AUTHORITY

May 17, 2023

/s/ Carolyn Aboubechara
Interim Executive Director

Appendix A has been reviewed and approved by the Treasurer of the University.

THE BOARD OF TRUSTEES OF THE LELAND
STANFORD JUNIOR UNIVERSITY

May 17, 2023

/s/ Karen L. Kearney
Treasurer

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APPENDIX A

STANFORD UNIVERSITY (INCLUDING FINANCIAL STATEMENTS AND DISCUSSION OF FINANCIAL RESULTS)

Part I of this Appendix A contains general information with respect to The Leland Stanford Junior University (“Stanford” or the “University”). Part II consists of portions of Stanford’s FY2022 Annual Financial Report for the fiscal years ended August 31, 2022 and 2021 (“Stanford’s FY2022 Annual Financial Report”), which includes management’s discussion and analysis, selected financial and other data, the report of independent auditors, and Stanford’s consolidated financial statements as of and for the years ended August 31, 2022 and 2021 (“Stanford’s FY2022 Audited Financial Statements”). Financial information presented in Part I of this Appendix A with respect to the University relates solely to the University; financial information regarding the University and its affiliates is stated both separately and on a consolidated basis in Stanford’s FY2022 Audited Financial Statements.

PART I

GENERAL INFORMATION ABOUT STANFORD UNIVERSITY

Founded in 1885, The Leland Stanford Junior University is one of a select group of universities that has achieved eminence in both undergraduate and graduate education and in a broad range of academic disciplines. It is internationally recognized for the quality of its teaching and research, its distinguished faculty and its outstanding student body.

Academic and Research Programs

Stanford is a major research and teaching university offering a wide range of undergraduate, graduate and professional degree programs. The Schools of Engineering and Humanities and Sciences (the latter of which includes the core humanities, fine arts, languages and literature, the social sciences, mathematics, and the natural sciences), and the Stanford Doerr School of Sustainability offer undergraduate and graduate degree programs. The Schools of Business, Education, Law and Medicine offer graduate and professional degree programs. Undergraduate students have access to a wide variety of undergraduate majors and to classes and research opportunities in all seven Schools. Degree programs are offered by departments and through interdepartmental programs involving multiple departments in one or more Schools. The University, its Schools and its academic programs hold appropriate accreditations.

Stanford’s research enterprise extends throughout the University. Multidisciplinary research is conducted in the Schools, independent laboratories, institutes and research centers, which engage faculty and students from across the University. The SLAC National Accelerator Laboratory operates advanced X-ray facilities and conducts research in materials, energy, structural biology and particle physics. Extensive library and archival resources are available through the Stanford University Libraries and the Hoover Institution on War, Revolution and Peace.

Governance and Management

Board of Trustees. Stanford is a trust with corporate powers under the laws of the State of California. The Internal Revenue Service has determined the University to be a tax-exempt organization under Section 501(c)(3) of the Internal Revenue Code. Under the provisions of the founding grant of Senator Leland Stanford and Jane Lathrop Stanford and related organizational documents of the University (the “Founding Grant”), the Board of Trustees (the “Board”) is custodian of the endowment and all the properties of the University. The Board administers the invested funds and has the ultimate authority over the annual budget and policies for operation and control of the University. The powers and duties of the Board of Trustees derive from a combination of the Founding Grant, amendments to the Founding Grant, and legislation and court decrees specific to Stanford. In addition, the Board operates under its own bylaws and a series of resolutions on major policy. The Board conducts its business through standing committees, currently consisting of the Committees on Audit, Compliance and Risk; Development; Finance; Land and Buildings; Student, Alumni and External Affairs; and Trusteeship. The Board consists of a minimum of 25 and a maximum of 38 Trustees, including the President of the University as a Trustee *ex officio* and with vote.

The following table lists the members of the Board of Trustees as of February 1, 2023.

Jerry Yang* (<i>Chair</i>)	Sarah H. Ketterer
Felix J. Baker	Carol C. Lam
Richard N. Barton	Marc S. Lipchultz
Aneel Bhusri	Kenneth E. Olivier
DeAngela J. Burns-Wallace	Carrie W. Penner
Michael C. Camuñez	Nadia N. Rawlinson
Michelle R. Clayman	Mindy B. Rogers
James G. Coulter	Lily Sarafan
Roberta B. Denning	Srinija Srinivasan
Katherine B. Duhamel	Jeffrey E. Stone
José E. Feliciano	Gene T. Sykes
Henry A. Fernandez	Marc Tessier-Lavigne
Angela S. Filo	Elizabeth H. Weatherman
Sakurako D. Fisher	Maurice C. Werdegarr
James D. Halper	Clara Wu Tsai
Marc E. Jones	Charles D. Young

* Current term as chair concludes June 30, 2023.

Administration. The Founding Grant prescribes that the Board of Trustees appoints the President of the University. The Board of Trustees delegates the responsibility to the President to prescribe the duties of professors and teachers, to set the course of study and the mode and manner of teaching and to exercise all other necessary powers relating to the educational, research, financial and business affairs of the University, including the operation of the physical plant. The President appoints, subject to confirmation by the Board, the Provost and the other Officers of the University. The Stanford Management Company is the operating division of the University responsible for the management of the University’s investment assets.

The following table sets forth in summary form certain members of the principal administration of the University as of April 30, 2023.

University Officers

Marc Tessier-Lavigne
President

Persis Drell¹
Provost

Ryan Adesnik
Vice President for Government Affairs

Deborah Cullinan
Vice President for the Arts

Jon Denney
Vice President for Development

Farnaz Khadem
Vice President for Communications

Randall Livingston
*Vice President for Business Affairs,
Chief Financial Officer and University Liaison for Stanford
Medicine*

Robert Reidy
*Vice President for Land, Buildings
and Real Estate*

Martin Shell
Vice President and Chief External Relations Officer

Stephen Kelly Streiffer
Vice President, SLAC National Accelerator Laboratory

Robert Wallace
Chief Executive Officer, Stanford Management Company

Howard Wolf
*Vice President for Alumni Affairs
and President, Stanford Alumni Association*

Elizabeth Zacharias
Vice President for Human Resources

Debra Zumwalt
Vice President and General Counsel

University Executive Cabinet

Marc Tessier-Lavigne
President

Persis Drell
Provost

Stacey Bent
*Vice Provost for Graduate Education and
Postdoctoral Affairs*

Sarah Church
Vice Provost for Undergraduate Education

Jonathan Levin
Dean, Graduate School of Business

Arun Majumdar
Dean, Stanford Doerr School of Sustainability

Jennifer Martinez
Dean, School of Law

Lloyd Minor
Dean, School of Medicine

Kathryn Ann “Kam” Moler²
Vice Provost and Dean of Research

Condoleezza Rice
*Director, Hoover Institution on War, Revolution and
Peace*

Debra Satz
Dean, School of Humanities and Sciences

Daniel Schwartz
Dean, Graduate School of Education

Jennifer Widom
Dean, School of Engineering

¹ Dr. Drell has announced her intention to step down from her role as Provost during the fall 2023 academic quarter, following the appointment of her successor, and return to the faculty. The University has initiated the process to identify her successor.

² Dr. Moler has announced her intention to, as of August 31, 2023, step down from her role as Vice Provost and Dean of Research and return to the faculty. A search is underway for her successor.

Faculty and Staff

For the 2022 fall quarter, the Stanford professoriate had 2,304 members. Of those, 54% hold tenure, and 99% hold the highest degrees in their respective fields. The Academic Council comprises the main body of the faculty. Of its 1,703 members, 1,560 are tenure-line faculty, and 143 are non-tenure line faculty such as Senior Fellows and those holding teaching, research, clinical or performance titles. The student-Academic Council ratio (including only matriculated undergraduate and graduate students) is approximately 10.1 to 1.

As of August 31, 2022, the University, including the SLAC National Accelerator Laboratory, employed 17,437 non-academic staff members. Of these employees, 1,310 were represented by the Service Employees International Union, and 19 were police officers represented by the Stanford Deputy Sheriffs' Association. Contracts between the University and those unions expire on August 31, 2024 and July 31, 2026, respectively.

Students

For the 2022 fall quarter, the University enrolled 7,761 undergraduate and 9,565 graduate students. During academic year 2021-22, 1,699 bachelor's degrees and 3,533 advanced degrees were conferred. The following table provides a summary for the last five academic years of undergraduate and graduate applications, admissions and enrollment.

Academic Year	Applications	Undergraduate ⁽¹⁾⁽²⁾ Admissions	Enrollment	Applications	Graduate ⁽²⁾ Admissions	Enrollment
2018-19	49,804	2,098	1,721	46,889	4,181	2,635
2019-20	49,961	2,086	1,721	48,143	4,119	2,588
2020-21 ⁽³⁾	47,443	2,435	1,675	48,150	3,612	2,135
2021-22 ⁽³⁾	58,736	2,245	2,191	59,224	4,057	2,760
2022-23	59,519	2,132	1,783	49,238	4,167	2,769

(1) Includes both freshman and transfer students.

(2) Fall only.

(3) Enrollment numbers for academic years 2020-21 and 2021-22 were impacted by COVID-19 with a high number of students deferring admission for academic year 2020-21 to enroll in academic year 2021-22. By way of illustration, 392 undergraduates admitted for academic year 2020-21 elected to enroll in academic year 2021-22, compared with 52 undergraduates admitted for academic year 2018-19 who enrolled in academic year 2019-20.

Tuition, Fees and Financial Aid

Stanford is committed to a policy of “need-blind” admission for eligible U.S. citizens and permanent resident undergraduate students and meets full need for admitted students without an expectation of student loans. In addition to institutional scholarship funds, eligible Stanford undergraduates may also receive other financial assistance in the form of government and private scholarships and grants, student employment and low-interest student loans. The following table provides a summary of Stanford's undergraduate tuition, average room and board expenses and average financial aid per undergraduate student for the academic years 2018-19 through 2022-23.

Academic Year	Tuition	Room and Board	Total	Average Financial Aid ⁽¹⁾	Average Financial Aid + Athletic Aid
2018-19	\$50,703	\$15,763	\$66,466	\$23,795	\$27,509
2019-20	52,857	16,433	69,290	24,749	28,431
2020-21	55,473	17,255	72,728	23,437	27,199
2021-22	55,473	17,860	73,333	28,088	31,843
2022-23	57,693	18,619	76,312	n/a	n/a

⁽¹⁾ In the 2018-19 and 2019-20 academic years, Stanford-funded scholarship aid awarded was based on financial need divided by the average number of undergraduate students enrolled in the fall, winter and spring quarters. Starting in the 2020-21 academic year, the University changed its methodology for determining the total number of undergraduates. The new calculation includes the unique number of students throughout the academic year, including the summer, instead of averages of the third week of enrollment for only fall, winter and spring quarters.

Institutional graduate student support is awarded based on academic merit and the availability of funds and consists of fellowships, stipends, and trainee/assistantships. Stanford also provides a gift-funded institutional loan program for some students in certain academic programs. Student loans receivable, including receivables for the loans issued under the federal Perkins Loan Program, net of allowances for doubtful accounts, were \$37.5 million and \$42.7 million as of August 31, 2022 and 2021, respectively.

There was a decrease in the total and average need-based undergraduate financial aid for the 2020-21 academic year. This decrease was due to corresponding decreases in overall undergraduate enrollment and enrollment of need-based financial aid recipients for the 2020-21 academic year, both of which were attributable to the COVID-19 pandemic.

The Stanford Campus and Other Real Property

Stanford's main campus consists of approximately 8,270 acres of land owned by the University near Palo Alto, California, much of which was given to the University under the Founding Grant on the condition that the lands subject to the grant may not be sold. The campus includes land located in six different municipalities. In addition to the lands utilized for educational, research, athletics, patient care and related purposes, a portion of Stanford lands are leaseholds related to commercial, residential, agriculture and other developments that provide rental income as part of the University's investment portfolio. Much of the University's other land remains undeveloped.

Stanford also owns real property elsewhere. Some of this property has been acquired for expansion or relocation of academic programs and administrative functions, including approximately 28 acres in Redwood City, California. The University also owns facilities for use in study programs in Pacific Grove, California; the District of Columbia; and Berlin, Germany.

Capital Improvement Programs

Stanford University makes a significant investment in its facilities for teaching, research and related activities. Stanford University's Capital Budget and three-year Capital Plan are based on projections of the major capital projects that the University plans to pursue in support of its academic mission. The fiscal year 2023 Capital Budget approved by the Board of Trustees is

approximately \$644.5 million and represents the anticipated capital expenditures in the first year of the rolling three-year Capital Plan. The fiscal year 2023-2025 Capital Plan includes projects with estimated total costs of over \$2.5 billion. Estimated funding sources for projects under the current Capital Plan consist of \$1.0 billion in debt, \$605.9 million in University reserves, \$694.3 million in gifts, and \$224.5 million in other funds and resources to be identified in the course of annual capital planning. Additional debt will be required to bridge timing differences between project expenditures and the receipt of gifts. The Capital Budget and the Capital Plan are subject to change based on funding availability, budget affordability and University priorities.

The use and development of Stanford University land within the County of Santa Clara (“Santa Clara County”) are governed by a General Use Permit and the related Stanford University Community Plan (together, the “2000 GUP”), which have been in force since they were approved in 2000 by the Santa Clara County Board of Supervisors. The 2000 GUP permits Stanford to develop 2,035,000 square feet of net new academic facilities and 4,468 new housing units for students, faculty and staff. Although the 2000 GUP limits the amount of new development, it does not restrict removal, renovation or rehabilitation of existing facilities. Through August 31, 2022, projects using approximately 1,735,611 of net new gross square feet were completed or under construction and approximately 4,423 housing beds/units have been added, including the 2,400-bed Escondido Village Graduate Residences. Stanford University filed an application with Santa Clara County in 2016 for a new GUP that was projected to last 17-20 years, but withdrew the application on November 1, 2019, determining instead to address academic space and housing needs by, for example, making use of the remaining allotments under the 2000 GUP, renovating and rehabilitating existing facilities in the main campus land in Santa Clara County, and developing facilities on University land in other jurisdictions, including the University’s new campus in Redwood City.

Hospitals

The University is the sole member of Stanford Health Care (“SHC”) and Lucile Salter Packard Children’s Hospital at Stanford (“LPCCH”) (collectively, the “Hospitals”). SHC and LPCCH are each separate not-for-profit public benefit corporations operating the adult and pediatric hospitals and clinics, respectively, which together with the University’s School of Medicine and its clinical faculty, comprise and are known in the marketplace as Stanford Medicine. Each Hospital corporation has its own management with responsibility for its own financial reporting (see Stanford University’s FY2022 Annual Financial Report included as Part II of this Appendix A under the caption “Management Responsibility for Financial Statements”). Management of each Hospital reports to the chief executive officer of that Hospital, and the chief executive officer reports to the board of directors appointed for that Hospital. Management of the Hospitals does not report to management of the University. Each Hospital has its own separate liabilities, including bond debt obligations. The University and the Hospitals are not obligated to pay the debt of each other, and the University and the Hospitals receive separate credit ratings from the rating agencies.

Regulatory Matters and Litigation

The University is subject to various suits, audits, investigations and other legal proceedings in the course of its operations. The University’s ultimate liability, if any, for these legal proceedings is not determinable at present. However, no proceedings are pending or threatened

that, in management's opinion, would be likely to have a material adverse effect on the University's financial position.

Investments

At August 31, 2022, the University held investments with a fair value of approximately \$46.5 billion. The following table summarizes the fair value of the University's investments for each of the past five fiscal years. These investment values are being presented in this manner reflecting current requirements of Generally Accepted Accounting Principles.

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STANFORD UNIVERSITY
INVESTMENTS
Years Ended August 31
(in thousands of dollars)

Fair Value Hierarchy	2022	2021	2020	2019	2018
Level 1 - Investments that trade in active markets. Valuations based on quoted prices	\$ 2,815,221	\$ 3,820,460	\$ 2,273,301	\$ 3,520,698	\$ 3,658,388
Level 2 - Investments that trade in markets that are not actively traded. Valuations based on quotes or alternative pricing sources	3,766,769	4,578,933	3,845,676	2,257,730	3,203,176
Level 3 - Investments that trade infrequently or not at all. Valuation based on the best information available and management judgment.	8,887,071	7,951,646	7,777,165	7,768,337	6,801,900
Investments measured using Net Asset Value (NAV) ¹	<u>34,550,031</u>	<u>35,272,097</u>	<u>26,100,241</u>	<u>23,977,352</u>	<u>22,978,977</u>
Total	\$50,019,092	\$51,623,136	\$39,996,383	\$37,524,117	\$36,642,441
Less Hospitals' funds invested in the University's investment pools	<u>(3,545,292)</u>	<u>(3,622,055)</u>	<u>(2,421,800)</u>	<u>(2,232,489)</u>	<u>(2,125,005)</u>
University investments at fair value	<u>\$46,473,800</u>	<u>\$48,001,081</u>	<u>\$ 37,574,583</u>	<u>\$35,291,628</u>	<u>\$34,517,436</u>

¹ Entities may estimate the fair value of certain investments by using NAV as a practical expedient as of the measurement date. The NAV is based on information reported by external investment managers in accordance with their policies as described in their respective financial statements and offering memoranda.

Liquidity

Stanford closely monitors its liquidity requirements and structures its financial assets to meet its projected 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 liquidity needs. The University has significant contractual commitments outstanding to limited partnership and other investment vehicles and major construction projects (see discussion under the caption “Capital Improvement Programs” above and in Note 6, “Investments,” and Note 19, “Commitments and Contingencies,” to Stanford’s FY2022 Audited Financial Statements included in Part II of this Appendix A).

COVID-19 Pandemic Impact

The University, like most higher education institutions, was impacted by the COVID-19 pandemic requiring a transition to remote learning with a gradual full re-opening of the campus. Part I of this Appendix A does not include specific information relating to all of the impact of the COVID-19 pandemic on the University, although the financial information and operational data for fiscal and academic years 2020, 2021, and 2022 included in Part I of this Appendix A do reflect such impact on the financial conditions and operations of the University as of the dates referenced in Part I of this Appendix A.

Data Privacy Incidents

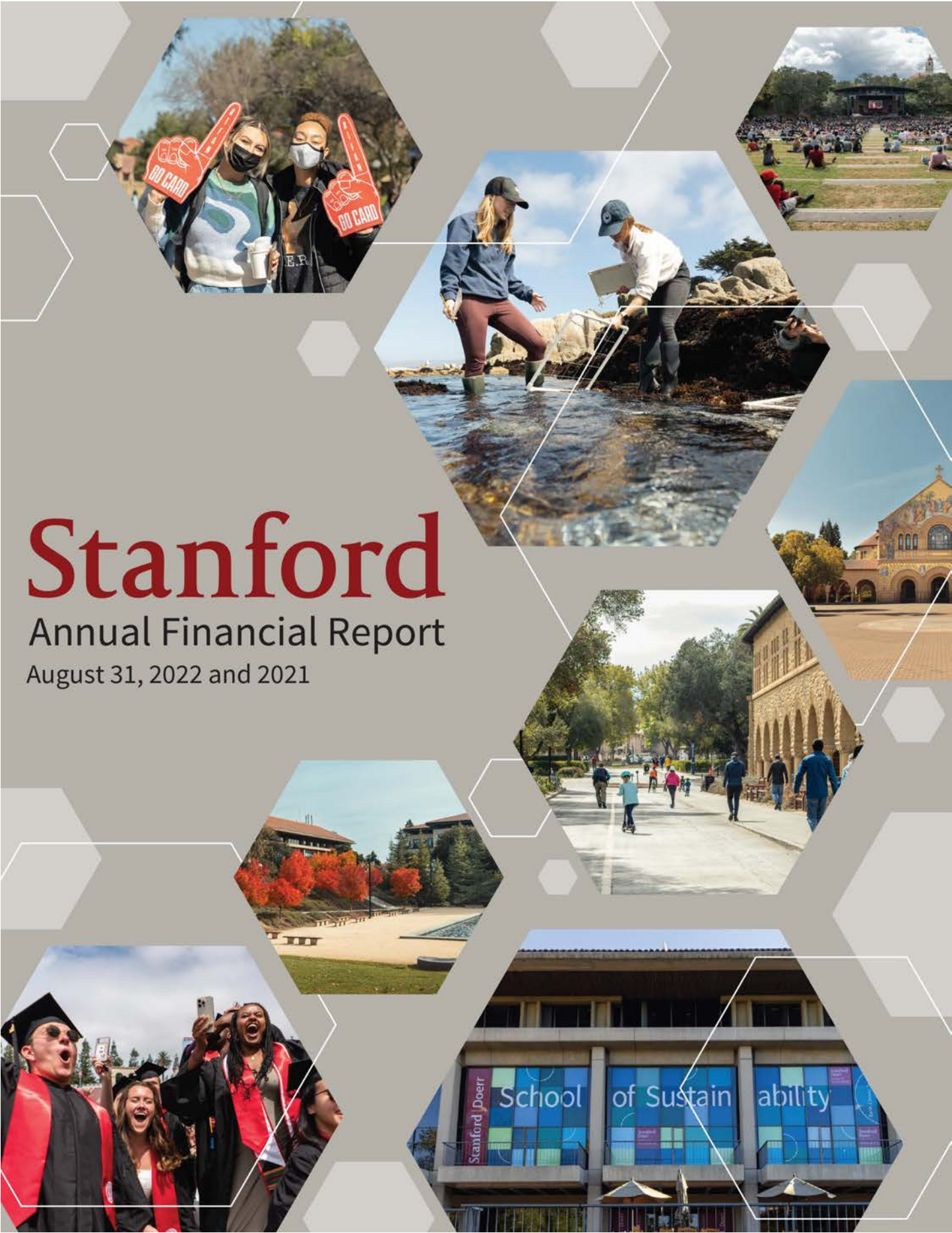
The University is currently investigating two data privacy incidents involving the disclosure of personal information to third parties. One involves a cyberattack on a third party vendor and the other involves information held by the University for research purposes. The University's investigations are ongoing, and the University is taking steps, including with respect to the notification of affected individuals, as required by law.

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PART II

STANFORD UNIVERSITY'S FY2022 ANNUAL FINANCIAL REPORT

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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.



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.

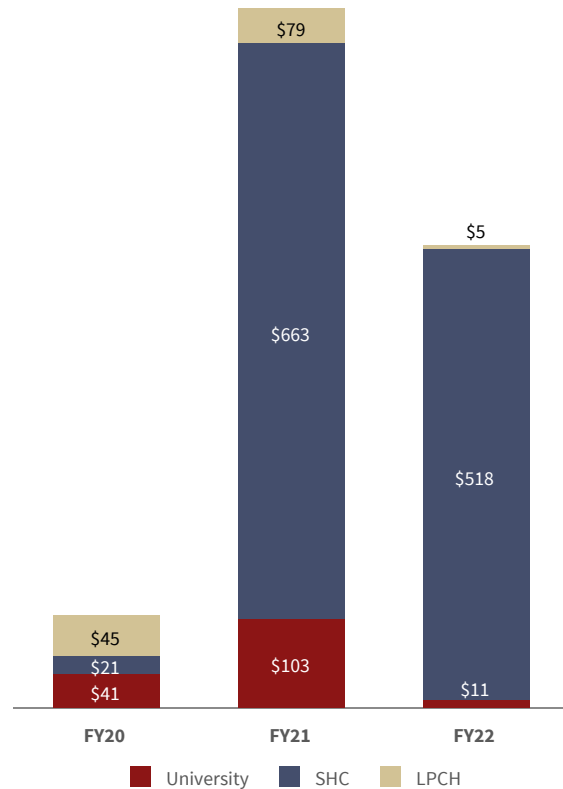
In fiscal year 2022, the collective bargaining agreement with the Committee for Recognition of Nursing Achievement (CRONA) was up for renewal with SHC and LPCH. During the negotiation, nurses represented by CRONA went on an eight day strike, which required the hospitals to hire replacement nurses at 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.

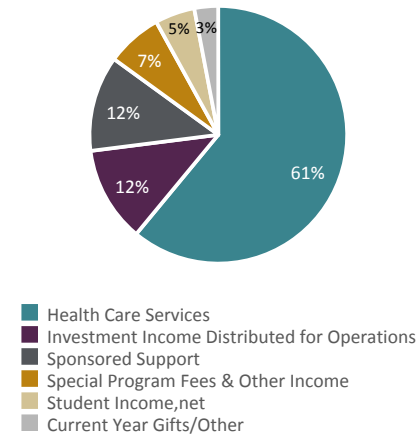
Student income rebounded in fiscal year 2022 with an increase of 41% or \$207 million. This growth was driven by increased room and board and tuition revenues offset slightly by increased student financial aid and support as further described under the "Teaching and Education" section below.

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.

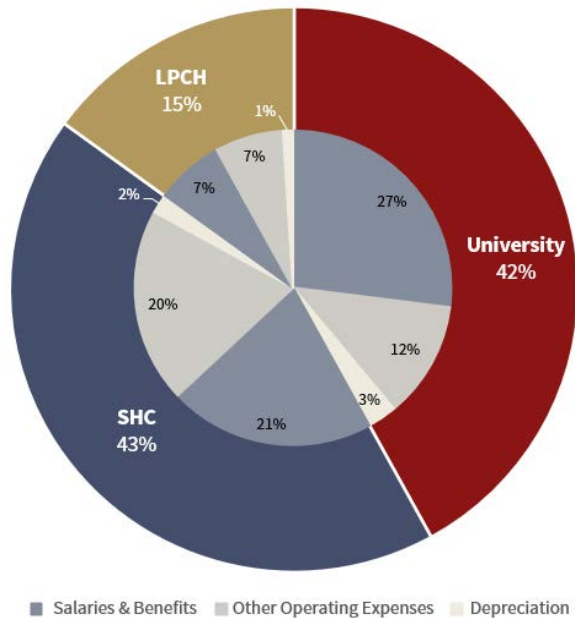
Additionally, the university continued to make advances in affordability initiatives which included the roll out of a number of programs such as stipends for fully onsite staff; an increased family grant program for graduate students and postdoctoral scholars; a new pilot program to provide transitional 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.

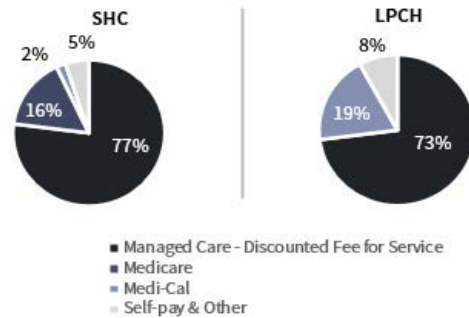
The university's fiscal year 2022 health care services revenue increased \$107 million or 8% to \$1.5 billion. The SOM faculty serve as physicians for the hospitals and over 95% of the university's health care services revenue is received from SHC and LPCH based on clinician activities. The increase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

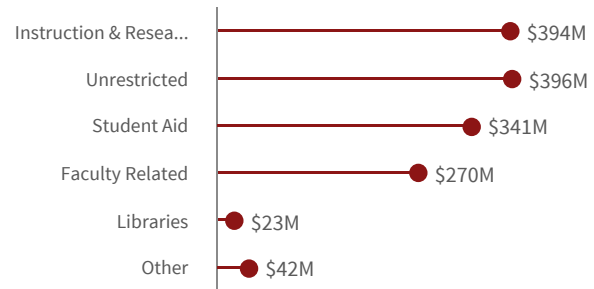
Investment Income Distributed for Operations

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”).

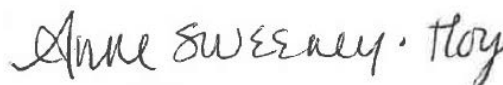
In accumulating and controlling financial data, management of the University, SHC and LPCH maintains separate systems of internal controls. Management of the respective entities believes that effective internal controls systems have been designed, implemented and maintained to provide reasonable assurance 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



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.



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 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 <i>Statements of Financial Position</i>	\$ 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.

Consolidated Financial Statements

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*).

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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*).

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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

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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

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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*.

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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.

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	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.

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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:

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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.

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	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.

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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.

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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		WEIGHTED AVERAGE	IMPACT TO VALUATION FROM AN INCREASE IN INPUT ²
				MIN	MAX		
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		

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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.

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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)
<i>Reconciliation to Statements of Activities:</i>				
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
<i>Reconciliation to Statements of Activities:</i>				
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
	AS OF AUGUST 31			YEAR ENDED AUGUST 31
2022				
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.

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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".

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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.

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	YEAR OF MATURITY	EFFECTIVE INTEREST RATE *	OUTSTANDING PRINCIPAL	
		2022/2021	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.

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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

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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.

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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

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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

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	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.

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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.

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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

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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.

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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.

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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

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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.

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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

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	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* (SCRCP). 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 SCRCP, 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.

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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.

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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 COST¹	(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 COST¹	(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)

¹The 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.

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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.

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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:

YEAR ENDING AUGUST 31	PRBP			
	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.

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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			

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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%.

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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 COST¹	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 COST¹	(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)

¹The 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.

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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

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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:

YEAR ENDING AUGUST 31	STAFF PENSION PLAN	PRMB	
		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.

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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

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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

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

YEAR ENDING AUGUST 31	MATURITY OF LEASE LIABILITIES				
	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.

Consolidated Financial Statements

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

Consolidated Financial Statements

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

Consolidated Financial Statements

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

Consolidated Financial Statements

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

Consolidated Financial Statements

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

Consolidated Financial Statements

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

Consolidated Financial Statements

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 <i>Statements of Financial Position</i>	\$ 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

Consolidated Financial Statements

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 <i>Statements of Financial Position</i>	\$ 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

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APPENDIX B

SUMMARY OF PRINCIPAL LEGAL DOCUMENTS

The following is a summary of certain provisions of the Indenture and the Loan Agreement that are not described elsewhere in this Official Statement. The Series V-3 Bonds are issued and secured pursuant to the Indenture and the Loan Agreement. References to the Indenture, the Loan Agreement, or a fund or account refer to the related document, fund or account with respect to the Series V-3 Bonds, as described in this Official Statement. Unless otherwise specified to the contrary in this Appendix B, all definitions and provisions summarized refer to the Indenture and the Loan Agreement. These summaries do not purport to be comprehensive and reference should be made to the Indenture and the Loan Agreement for a full and complete statement of their provisions.

DEFINITIONS OF CERTAIN TERMS

Unless the context otherwise requires, the terms defined in this summary shall, for all purposes of this summary, have the meanings herein specified, to be equally applicable to both singular and plural forms of any of the terms herein defined. Unless otherwise defined in this summary, all terms used herein or elsewhere in the Official Statement shall have the meanings assigned to such terms in the Indenture or the Act, as applicable.

“Act” means the California Educational Facilities Authority Act, constituting Chapter 2 (commencing with Section 94100) of Part 59 of Division 10 of Title 3 of the Education Code of the State, as now in effect and as it may from time to time hereafter be amended or supplemented.

“Act of Bankruptcy” of the Authority or the Borrower means any of the following with respect to such party:

(1) the commencement by such party of a voluntary case under the federal bankruptcy laws, as now in effect or hereafter amended, or any other applicable federal or state bankruptcy, insolvency or similar laws;

(2) the filing of a petition with a court having jurisdiction over such party to commence an involuntary case against such party under the federal bankruptcy laws, as now in effect or hereafter amended, or any other applicable federal or state bankruptcy, insolvency or similar laws, which shall not have been stayed or dismissed within 60 days;

(3) such party shall admit in writing its inability to pay its debts generally as they become due;

(4) a receiver, trustee or liquidator of such party shall be appointed in any proceeding brought against such party;

(5) the making of a general assignment by such party for the benefit of its creditors; or

(6) the entry by such party into an agreement of composition with its creditors.

“Additional Payments” means the payments to be made by the Borrower to the Trustee or the Authority in accordance with the Loan Agreement.

“Administrative Fees and Expenses” means the reasonable and necessary application, commitment, financing or similar fees and expenses charged, or reimbursement for administrative or other expenses incurred, by the Authority or the Trustee pursuant to the Loan Agreement or the Indenture.

“Authority” means the California Educational Facilities Authority, a public instrumentality of the State established by the Act.

“Authorized Representative” means, (1) with respect to the Authority, its Chair (or any Deputy), Executive Director or any other Person or Persons designated as an Authorized Representative of the Authority by a Certificate of the Authority signed by its Chair (or any Deputy) or Executive Director and (2) with respect to the Borrower, its Chief Financial Officer, its Treasurer, its Senior Associate Vice President of Finance or such other person as may be designated to sign for the Borrower by a Certificate of the Borrower signed by its Chief Financial Officer, its Treasurer or its Senior Associate Vice President of Finance and furnished to the Trustee. Such authorizations shall remain in effect until the Trustee has received a written notice to the contrary, accompanied by a new designation.

“Base Loan Payments” means the payments required to be made by the Borrower to the Trustee for the account of the Authority in accordance with the Loan Agreement for the payment of the principal (whether at maturity or upon prior redemption) of and interest to the date fixed for redemption or maturity and premium, if any, on the Bonds.

“Bonds,” as the term is used in the Indenture and in this Appendix B, means the California Educational Facilities Authority Revenue Bonds (Stanford University), Series V-1, together with any additional Series of Bonds, authorized by, and at any time Outstanding pursuant to, the Indenture, including the Series V-3 Bonds.

“Borrower” means The Board of Trustees of the Leland Stanford Junior University, a body duly exercising corporate powers and privileges pursuant to the Constitution and laws of the State, and its successors or assigns or any co-obligor permitted pursuant to the Loan Agreement.

“Business Day” means any day other than a Saturday or a Sunday or a day on which banking institutions located in the city in which the Principal Corporate Trust Office of the Trustee is located are authorized or obligated by law or executive order to be closed.

“Certificate,” “Statement,” “Request,” “Order” or “Requisition” of the Authority or the Borrower mean, respectively, a written certificate, statement, request, order or requisition signed in the name of the Authority by its Chair or a deputy thereto or its Executive Director or by any other person who is specifically authorized by a resolution of the Authority to execute such a document on its behalf, or in the name of the Borrower by an Authorized Representative of the Borrower. Any such instrument and supporting opinions or representations, if any, may, but need not, be combined in a single instrument with any other instrument, opinion or representation, and the two or more so combined shall be read and construed as a single instrument. If and to the extent required by the Indenture, each such instrument shall include the statements provided for in the Indenture.

“Code” means the Internal Revenue Code of 1986, as amended, or any successor code or law and any regulations in effect or promulgated thereunder.

“Continuing Disclosure Agreement” means each Continuing Disclosure Agreement, dated the date of issuance and delivery of the Bonds, between the Borrower and the Trustee, as originally executed and as it may be amended in accordance with its terms.

“Depository” means any securities depository that is a clearing agency under federal law operating and maintaining, with its participants or otherwise, a book entry-system to record ownership of book-entry interests in Bonds, and to effect transfers of book-entry interests in Bonds in book-entry form, and includes, and means initially, The Depository Trust Company, New York, New York.

“Favorable Opinion of Bond Counsel” means an Opinion of Counsel by a nationally recognized bond counsel firm experienced in matters relating to the exclusion from gross income for federal income tax purposes of interest payable on obligations of state and political subdivisions.

“Fitch” means Fitch Ratings, Inc., and its successors or assigns, and, if such entity shall be dissolved or liquidated or shall no longer perform the functions of a nationally recognized statistical rating organization, any other nationally recognized statistical rating organization designated by the Authority following receipt of a Request of the Borrower.

“Holder” or *“Bondholder”* whenever used in the Indenture with respect to a Bond, means the person in whose name such Bond is registered.

“Indenture” means the Indenture, as originally executed or as it may from time to time be supplemented, modified or amended by any Supplemental Indenture entered into pursuant to the provisions thereof.

“Interest Payment Date” means, with respect to the Series V-3 Bonds, June 1 and December 1 in each year, commencing December 1, 2023.

“Investment Securities” means any of the following obligations as and to the extent that such obligations are at the time legal investments under the Act for moneys held under the Indenture and then proposed to be invested (the Trustee is entitled to rely upon any investment direction from the Borrower as a certification that such investment is a legal investment under the Act and constitutes an Investment Security):

(1) direct obligations of the United States of America (including obligations issued or held in book-entry form on the books of the Department of the Treasury, and CATS and TIGRS) or obligations the principal of and interest on which are unconditionally guaranteed by the United States of America;

(2) bonds, debentures, notes or other evidence of indebtedness issued or guaranteed by any of the following federal agencies and provided such obligations are backed by the full faith and credit of the United States of America (stripped securities are only permitted if they have been stripped by the agency itself): (a) U.S. Export-Import Bank (“Eximbank”), (b) Farmers Home Administration (“FmHA”), (c) Federal Financing Bank, (d) Federal Housing Administration Debentures (“FHA”), (e) General Services Administration, (f) Government National Mortgage Association (“GNMA” or “Ginnie Mae”), (g) U.S. Maritime Administration, and (h) U.S. Department of Housing and Urban Development (“HUD”);

(3) bonds, debentures, notes or other evidence of indebtedness issued or guaranteed by any of the following non-full faith and credit U.S. government agencies (stripped securities are only permitted if they have been stripped by the agency itself): (a) Federal Home Loan Bank System, (b) Federal Home Loan Mortgage Corporation (“FHLMC” or “Freddie Mac”), (c) Federal National Mortgage Association (“FNMA” or “Fannie Mae”), (d) Student Loan Marketing Association (“SLMA” or “Sallie Mae”), (e) Resolution Funding Corp. (“REFCORP”) obligations, and (f) Farm Credit System;

(4) money market mutual funds have a rating in the highest investment category granted thereby from S&P or Moody’s, including, without limitation any mutual fund for which the Trustee or an

affiliate of the Trustee serves as investment manager, administrator, shareholder servicing agent, and/or custodian or subcustodian, notwithstanding that (i) the Trustee or an affiliate of the Trustee receives and retains fee from funds for services provided to the fund, (ii) the Trustee collects fees for services rendered pursuant to the Indenture, which fees are separate from the fees received from such funds, and (iii) services performed for such funds and pursuant to the Indenture may at times duplicate those provided to such funds by the Trustee or an affiliate of the Trustee;

(5) certificates of deposit secured at all times by collateral described in (1) and/or (2) above. Such certificates must be issued by commercial banks, savings and loan associations or mutual savings banks. The collateral must be held by a third party and the Trustee on behalf of the Bondholders must have a perfected first security interest in collateral;

(6) certificates of deposit, savings accounts, bank deposit products, trust accounts, overnight bank deposits, interest bearing accounts, deposit accounts or money market deposits which are fully insured by FDIC, including BIF and SAIF;

(7) investment agreements, including GIC's, Forward Purchase Agreements and Reserve Fund Put Agreements;

(8) commercial paper rated, at the time of purchase, "Prime – 1" by Moody's and "A-1" or better by S&P;

(9) bonds or notes issued by any state or municipality which are rated by Moody's and S&P in one of the two highest rating categories assigned by such agencies;

(10) federal funds or bankers acceptances with a maximum term of one year of any bank or bank deposit products including those with the Trustee and its affiliates, which has an unsecured, uninsured and unguaranteed obligation rating of "Prime-1" or "A3" or better by Moody's and "A-1" or "A" or better by S&P;

(11) repurchase agreements ("repos"), which must meet the following criteria:

(a) repos must be between the Trustee and a dealer bank or securities firm that is: (i) a primary dealer on the Federal Reserve reporting dealer list which is rated "A" or better by S&P and Moody's, or (ii) a bank rated "A" or above by S&P and Moody's;

(b) the written repo contract must include the following: (i) securities which are acceptable for transfer are direct U.S. governments, or federal agencies backed by the full faith and credit of the U.S. government (and FNMA & FHLMC), (ii) the term of the repo may be up to 30 days, (iii) the collateral must be delivered to the Trustee (if the Trustee is supplying the collateral) or its agent before/simultaneous with payment (perfection by possession of certificated securities), (iv) the securities must be valued weekly, marked-to-market at current market price plus accrued interest. The value of collateral must be equal to 104% of the amount of cash transferred by the Trustee to the dealer bank or security firm under the repo plus accrued interest. If the value of securities held as collateral slips below 104% of the value of the cash transferred by the Trustee, then additional cash and/or acceptable securities must be transferred. If, however, the securities used as collateral are BNMA or FHLMC, then the value of collateral must equal 105%; and

(12) any other investment approved in writing by the Authority.

“Loan Agreement” means that certain loan agreement, between the Authority and the Borrower, as it may from time to time be supplemented, modified or amended in accordance with the terms thereof and of the Indenture.

“Moody’s” means Moody’s Investors Service, Inc., and its successors or assigns, and, if such entity shall be dissolved or liquidated or shall no longer perform the functions of a nationally recognized statistical rating organization, any other nationally recognized statistical rating organization designated by the Borrower by notice to the Authority and the Trustee.

“MSRB” means the Municipal Securities Rulemaking Board.

“Notice by Mail” or “notice” of any action or condition “by Mail” means a written notice meeting the requirements of the Indenture mailed by first-class mail to the Holders of specified registered Bonds, at the addresses shown on the registration books maintained pursuant to the Indenture.

“Opinion of Counsel” means a written opinion of counsel (who may be counsel for the Authority) selected by the Authority and reasonably acceptable to the Borrower. If and to the extent required by the provisions of the Indenture, each Opinion of Counsel shall include the statements provided for in the Indenture.

“Outstanding” when used as of any particular time with reference to Bonds (subject to the provisions of the Indenture), means all Bonds theretofore, or thereupon being, authenticated and delivered by the Trustee under the Indenture except (1) Bonds theretofore cancelled by the Trustee or surrendered to the Trustee for cancellation; (2) on or after any purchase date for Variable Rate Bonds, all Variable Rate Bonds (or portions of Variable Rate Bonds) which have been purchased on such date, but which have not been delivered to the tender agent, provided that funds sufficient for such purchase are on deposit with the tender agent in accordance with the provisions of the Indenture; (3) Bonds with respect to which all liability of the Authority shall have been discharged in accordance with the Indenture; and (4) Bonds for the transfer or exchange of or in lieu of or in substitution for which other Bonds shall have been authenticated and delivered by the Trustee pursuant to the Indenture.

“Person” means an individual, corporation, firm, association, partnership, trust, or other legal entity or group of entities, including a governmental entity or any agency or political subdivision thereof.

“Principal Payment Date” means any date on which principal on the Bonds of any Series is due and payable, whether by reason of maturity or of redemption from mandatory sinking account payments, if any, established in connection with such Series of Bonds.

“Rating Agency” means Moody’s, S&P or Fitch.

“Record Date” means, with respect to any Interest Payment Date for the Series V-3 Bonds, the fifteenth day of the calendar month preceding such Interest Payment Date, whether or not such day is a Business Day, and, with respect to any Interest Payment Date for any additional Series of Bonds, the date or dates so indicated in the Supplemental Indenture for such Series.

“Redemption Price” means, with respect to any Bond (or portion thereof), the principal amount of such Bond (or portion) plus the applicable premium, if any, payable upon the date fixed for redemption thereof pursuant to the provisions of such Bond and the Indenture.

“S&P” means S&P Global Ratings, a business unit of Standard & Poor’s Rating Services, and its successors or assigns, or, if such entity shall be dissolved or liquidated or shall no longer perform the

functions of a nationally recognized statistical rating organization, any other nationally recognized statistical rating organization designated by the Borrower by notice to the Authority and the Trustee.

“Second Supplemental Agreement” means the Second Supplemental Loan Agreement, dated as of June 1, 2023, between the Authority and the Borrower.

“Second Supplemental Indenture” means the Second Supplemental Indenture, dated as of June 1, 2023, between the Authority and the Trustee.

“Series” when used with respect to the Bonds, means all the Bonds designated as being of the same series, authenticated and delivered in a simultaneous transaction, and any Bonds thereafter authenticated and delivered upon a transfer or exchange or in view of or in substitution for such Bonds.

“Series V-3 Base Loan Payments” means the payments required to be made by the Borrower to the Trustee for the account of the Authority in accordance with the Second Supplemental Agreement for the payment of the principal (whether at maturity or upon prior redemption) of and interest to the date fixed for redemption or maturity and premium, if any, on the Series V-3 Bonds.

“Series V-3 Bonds” means the California Educational Facilities Authority Revenue Bonds (Stanford University) Series V-3, authorized to be issued pursuant to the Second Supplemental Indenture.

“Series V-3 Event of Default” means any of the events specified in the provisions of the Indenture summarized below under “INDENTURE – Series V-3 Events of Default; Remedies on Default.”

“Series V-3 Funds and Accounts” means the funds and accounts held by the Trustee and established under the Indenture described below under “INDENTURE – Establishment of Series V-3 Funds and Accounts.”

“Series V-3 Loan Default Event” means any of the events of default specified in the provisions of the Loan Agreement summarized below under “LOAN AGREEMENT – Events of Default; Remedies on Default.”

“Series V-3 Rebate Account” means the account within the Rebate Fund and established under the Indenture.

“Series V-3 Revenues” means all payments received by the Authority or the Trustee from the Borrower related to the Series V-3 Bonds pursuant or with respect to the Loan Agreement (except Additional Payments paid by the Borrower pursuant to the Loan Agreement, any indemnification amounts paid by the Borrower pursuant to the Loan Agreement and amounts received for or on deposit in the Series V-3 Rebate Account), including, without limiting the generality of the foregoing, Series V-3 Base Loan Payments (including both timely and delinquent payments), prepayments, and all income derived from the investment of any money in any fund or account held by the Trustee and established pursuant to the Indenture.

“Supplemental Indenture” means any indenture duly authorized and entered into between the Authority and the Trustee, supplementing, modifying or amending the Indenture.

“Tax Agreement” means that certain Tax Certificate and Agreement entered into between the Authority and the Borrower at the time of issuance and delivery of a Series of Bonds, as the same may be amended or supplemented in accordance with its terms.

“Variable Rate Bonds” means Bonds that bear interest at a variable rate or rates.

INDENTURE

The Indenture sets forth the terms of the Series V-3 Bonds, the nature and extent of the security, various rights of the Bondholders, rights, duties and immunities of the Trustee and the rights and obligations of the Authority. Certain provisions of the Indenture are summarized in this Official Statement under the captions “THE SERIES V-3 BONDS” and “SECURITY FOR THE SERIES V-3 BONDS.” Other provisions are summarized below. This summary does not purport to be complete or definitive and is qualified in its entirety by reference to the full terms of the Indenture.

Terms of the Series V-3 Bonds

The Series V-3 Bonds shall be dated as of the date of original delivery of the Series V-3 Bonds, and shall bear interest from the Interest Payment Date to which interest has been paid as of the date on which such Bonds are authenticated or, if they are authenticated on or before the Record Date for the first Interest Payment Date, from their date of delivery; provided, however, that if, at the time of authentication of any Bonds of a Series, interest is in default on Outstanding Bonds of such Series, such Bond shall bear interest from the Interest Payment Date to which interest has previously been paid or made available for payment on the Outstanding Bonds of such Series. Interest on the Series V-3 Bonds shall be calculated on the basis of a 360-day year and twelve 30-day months and shall be payable in arrears on each Interest Payment Date, upon maturity or upon prior redemption.

The Trustee shall not be required to transfer or exchange (i) any Bond during the 15 days next preceding the date on which notice of redemption of Bonds of such Series is given, or (ii) any Bond called for redemption.

Pledge and Assignment of Series V-3 Revenues

The Authority transfers in trust, grants a security interest in and assigns to the Trustee, for the benefit of the Holders from time to time of the Bonds, all of the Series V-3 Revenues and any other amounts (including proceeds of the sale of Series V-3 Bonds) held in the Series V-3 Funds and Accounts (other than the Series V-3 Rebate Account); all of the right, title and interest of the Authority in the Loan Agreement (except for (i) the right to receive and to enforce its rights with respect to any Administrative Fees and Expenses or Additional Payments to the extent payable to the Authority, (ii) any rights of the Authority to be indemnified, held harmless and defended and rights to inspection and to receive notices, certificates and opinions, (iii) express rights to give approvals, consents or waivers, and (iv) the obligation of the Borrower to make deposits pursuant to the Tax Agreement). The Trustee shall be entitled to, and shall collect and receive all of the Series V-3 Revenues and any Series V-3 Revenues collected or received by the Authority shall be deemed to be held and to have been collected or received, by the Authority as the agent of the Trustee and shall forthwith be paid by the Authority to the Trustee. The Trustee also shall be entitled to, and shall, take all steps, actions and proceedings reasonably necessary in its judgment to enforce all of the rights of the Authority and all of the obligations of the Borrower under the Loan Agreement.

Establishment of Series V-3 Funds and Accounts

The Indenture creates a Stanford University Series V-3 Project Construction Fund, a Stanford University Series V-3 TECP Repayment Fund, a Series V-3 Bond Fund (and a Series V-3 Interest Account and a Series V-3 Principal Account therein), a Series V-3 Redemption Fund (and a Series V-3 Optional Redemption Account therein) and a Series V-3 Rebate Fund, all of which are to be held by the Trustee.

Stanford University Series V-3 Project Construction Fund. The moneys, if any, in the Stanford University Series V-3 Project Construction Fund shall be transferred by the Trustee to the Borrower pursuant to the Indenture and applied by the Borrower in accordance with the Loan Agreement to pay costs of the Series V Project (which is described in the Indenture).

Stanford University Series V-3 TECP Repayment Fund. The moneys, if any, in the Stanford University Series V-3 TECP Repayment Fund shall be transferred by the Trustee to the Borrower pursuant to the Indenture and applied by the Borrower in accordance with the Loan Agreement to repay tax-exempt commercial paper notes.

Series V-3 Bond Fund. The moneys in the Series V-3 Bond Fund shall be used, withdrawn and disbursed by the Trustee pursuant to the Indenture.

Series V-3 Interest Account. Moneys in the Series V-3 Interest Account shall be held, disbursed, allocated and applied by the Trustee only as provided in the Indenture. The Trustee shall deposit the following Series V-3 Revenues in the Series V-3 Interest Account when and as such Series V-3 Revenues are received: (1) the interest component of all Series V-3 Base Loan Payments, including the interest component of all cash prepayments of Series V-3 Base Loan Payments made pursuant to the Loan Agreement; (2) all interest, profits and other income received from the investment of moneys in the Series V-3 Interest Account; and (3) any other Series V-3 Revenues not required to be deposited in any other fund or account established pursuant to the Indenture.

All amounts in the Series V-3 Interest Account shall be used and withdrawn by the Trustee solely for the purpose of paying the interest on the Series V-3 Bonds as the same becomes due and payable (including accrued interest with respect to any Bonds purchased or redeemed prior to maturity pursuant to the Indenture).

Series V-3 Principal Account. The Trustee shall deposit the following Series V-3 Revenues in the Series V-3 Principal Account when and as such Series V-3 Revenues are received: (1) the principal component of all Series V-3 Base Loan Payments, but excluding the principal component of all cash prepayments of Series V-3 Base Loan Payments made pursuant to the Loan Agreement, which shall be deposited in the Series V-3 Redemption Fund; and (2) all interest, profits and other income received from the investment of moneys in the Series V-3 Principal Account.

Series V-3 Redemption Fund. The Trustee shall deposit the following Series V-3 Revenues in the Series V-3 Optional Redemption Account when and as such Series V-3 Revenues are received: (1) except as provided in the following paragraph, the principal component of all cash prepayments of Series V-3 Base Loan Payments made pursuant to the Loan Agreement; and (2) all interest, profits and other income received from the investment of moneys in the Series V-3 Optional Redemption Account.

All amounts deposited in the Series V-3 Optional Redemption Account shall be used and withdrawn by the Trustee solely for the purpose of redeeming Series V-3 Bonds, in the manner and upon the terms and conditions specified in the Indenture, at the next succeeding date of redemption for which notice has not been given and at the Redemption Prices then applicable to redemptions from the Series V-3 Optional Redemption Account; provided, however that, at any time prior to giving of such notice of redemption, the Trustee shall, upon direction of the Borrower, apply such amounts to the purchase of Bonds at public or private sale, as and when and at such prices (including brokerage and other charges, but excluding accrued interest, which is payable from the Series V-3 Interest Account) as the Borrower may direct, except that the purchase price (exclusive of accrued interest) may not exceed the Redemption Price then applicable to the Series V-3 Bonds (or, if the Series V-3 Bonds are not then subject to redemption, the par value of such Series V-3 Bonds); and provided further that, in the case of the Series V-3 Optional

Redemption Account, in lieu of redemption at such next succeeding date of redemption, or in combination therewith, amounts in such account may be transferred to the Series V-3 Bond Fund and credited against Series V-3 Base Loan Payments in order of their due date as set forth in a Request of the Borrower.

Series V-3 Rebate Account. The Series V-3 Rebate Account is established within the Rebate Fund. Subject to the transfer provisions provided in the Indenture, all money at any time deposited in the Series V-3 Rebate Account shall be held by the Trustee in trust, to the extent required to satisfy the Rebate Requirement (as defined in the Tax Agreement related to the Series V-3 Bonds), for payment to the federal government of the United States of America. Neither the Authority, the Borrower nor the Holder of any Bonds shall have any rights in or claim to such money. All amounts deposited into or on deposit in the Series V-3 Rebate Account shall be governed by the Indenture and by the Tax Agreement related to the Series V-3 Bonds.

Issuance of Additional Series of Bonds

The Authority may issue additional Series of Bonds under the Indenture at any time at the request of the Borrower. Each such additional Series of Bonds shall be executed by the Authority for issuance and delivery to the Trustee and thereupon shall be authenticated by the Trustee and delivered to the Authority upon its order, but only upon receipt by the Trustee of the following:

(1) An original executed copy of the Supplemental Indenture authorizing such Series of Bonds, which Supplemental Indenture shall specify (a) the purpose for which such Series of Bonds is being issued, provided, that such Series of Bonds shall be approved solely for financing or refinancing the Series V Project; (b) the authorized principal amount and denominations of such Series of Bonds; (c) whether such Bonds shall bear interest at a fixed rate or shall be Variable Rate Bonds, and, if such Bonds are to be Variable Rate Bonds, the tender, remarketing and interest rate provisions for such Series; (d) whether the interest on such Bonds shall be federally taxable or tax-exempt; (e) the Series designation of such Bonds, the date or dates, the Interest Payment Dates, the Principal Payment Dates and the maturity date or dates of such Bonds; (f) the manner of dating and numbering such Bonds; (g) the place or places of payment of the principal or redemption, tender or purchase price, and the manner of payment of interest on, such Bonds; (h) any redemption, tender or purchase provisions for such Bonds; (i) the amount and due date of each mandatory sinking account payment, if any, for such Bonds; (j) the amounts to be deposited in the funds and accounts created and established by the Indenture and the Supplemental Indenture authorizing such Bonds; (k) the form of such Bond and whether it is a replacement Bond or a newly issued, additional Bond; and (l) any other provisions deemed advisable by the Authority or the Borrower that are not in conflict with the provisions of the Indenture;

(2) An original executed copy of the Supplemental Loan Agreement with respect to such Series of Bonds;

(3) An original executed copy of the bond purchase contract, or supplement thereto, with respect to such Series of Bonds;

(4) An official statement, or supplement thereto, with respect to such Series of Bonds;

(5) A Written Request of the Authority to the Trustee (i) requesting that the Trustee authenticate such Bonds, (ii) stating that the Authority is not in default in the performance of any of the covenants, conditions, agreements or provisions contained in the Indenture and (iii) stating that the resolution of the Authority authorizing the issuance of such Bonds was duly adopted and is in full force and effect as of the date of issuance of such Bonds;

- (6) A Certificate, Request and Consent of the Borrower with respect to such Bonds;
- (7) A continuing disclosure agreement, or supplement thereto, for such Bonds, if required by law;
- (8) A tax certificate, or supplement thereto, relating to such Bonds;
- (9) Agreements with any liquidity provider or any agents for remarketing or conducting auctions with respect to Variable Rate Bonds;
- (10) An opinion of counsel to the Authority with respect to such Bonds in substantially the form delivered by counsel to the Authority in connection with the issuance of the Series V-1 Bonds under the Indenture;
- (11) An opinion of Bond Counsel with respect to such Bonds in substantially the form delivered by Bond Counsel in connection with the issuance of the Series V-1 Bonds under the Indenture (allowing for such changes to such opinion as are necessary or appropriate to reflect the tax treatment of such Bonds); and
- (12) An opinion of Borrower's counsel with respect to such Bonds in substantially the form delivered by Borrower's counsel in connection with the issuance of the Series V-1 Bonds under the Indenture.

Proceeds of each Series of Bonds shall be applied as specified in the Supplemental Indenture establishing the terms and provisions of such Series of Bonds.

Series V-3 Events of Default; Remedies on Default

The following events are Series V-3 Events of Default under the Indenture: (a) default in the due and punctual payment of the principal or Redemption Price of any Series V-3 Bond when and as the same shall become due and payable, whether at maturity as therein expressed, by declaration of acceleration, by proceedings for redemption, or otherwise; (b) default in the due and punctual payment of any installment of interest on any Series V-3 Bond when and as such interest installment shall become due and payable; (c) failure to pay the purchase price of any Variable Rate Bond of the Series V-3 Bonds required to be purchased when due and payable if a liquidity facility is not in effect; (d) default by the Authority in the observance of any of the other covenants, agreements or conditions on its part contained in the Indenture (but only if such default is applicable to, or with respect to, the Series V-3 Bonds or in the Series V-3 Bonds, if such default shall have continued for a period of 30 days after written notice thereof, specifying such default and requiring the same to be remedied, shall have been given to the Authority and the Borrower by the Trustee, or to the Authority, the Borrower and the Trustee by the Holders of not less than a majority in aggregate principal amount of the Series V-3 Bonds at the time Outstanding; or (e) a Series V-3 Loan Default Event.

Upon actual knowledge of the existence of any Series V-3 Event of Default, the Trustee shall notify the Borrower and the Authority in writing as soon as practicable; provided, however, that the Trustee need not provide notice of any Series V-3 Loan Default Event if the Borrower has expressly acknowledged the existence of such Series V-3 Loan Default Event in a writing delivered to the Trustee, the Borrower and the Authority.

Whenever any Series V-3 Event of Default shall have occurred and be continuing, the Trustee may take the following remedial steps:

(a) In each and every such case during the continuance of such a Series V-3 Event of Default, unless the principal of all the Series V-3 Bonds has already become due and payable, the Trustee, by notice in writing to the Authority, may, and, upon the written request of the Holders of not less than a majority in aggregate principal amount of the Series V-3 Bonds at the time Outstanding, shall, declare the principal of all the Series V-3 Bonds then Outstanding, and the interest accrued thereon, to be due and payable immediately, and upon any such declaration the same will become and will be immediately due and payable, anything in the Indenture or in the Series V-3 Bonds contained to the contrary notwithstanding;

(b) In the case of any Series V-3 Event of Default described in (d) of the first paragraph of this section, the Trustee may take whatever action at law or in equity is necessary or desirable to enforce the performance, observance or compliance by the Authority with any covenant, condition or agreement by the Authority under the Indenture applicable to, or with respect to, the Series V-3 Bonds; and

(c) In the case of a Series V-3 Event of Default described in (e) of the first paragraph of this section, the Trustee may take whatever action the Authority would be entitled to take, and shall take whatever action the Authority would be required to take, pursuant to the Loan Agreement in order to remedy the Series V-3 Loan Default Event.

The Trustee shall give notice of any declaration described in subsection (a) above to each Rating Agency then rating the Series V-3 Bonds; provided that failure to give any such Notice shall not affect the sufficiency of the proceedings for such declaration. Any such declaration, however, is subject to the condition that if, at any time after such declaration and before any judgment or decree for the payment of the moneys due shall have been obtained or entered, the Authority or the Borrower shall deposit with the Trustee a sum sufficient to pay all the principal or Redemption Price of and installments of interest on the Series V-3 Bonds payment of which is overdue, with interest on such overdue principal at the rate borne by the respective Series V-3 Bonds, and the reasonable charges and expenses of the Trustee, and any and all other defaults known to the Trustee (other than in the payment of principal of and interest on the Series V-3 Bonds due and payable solely by reason of such declaration) shall have been made good or cured to the satisfaction of the Trustee or provision deemed by the Trustee to be adequate shall have been made therefor, then, and in every such case, the Trustee shall, on behalf of the Holders of all of the Series V-3 Bonds, annul such declaration and its consequences and waive such default; but no such annulment shall extend to or shall affect any subsequent default, or shall impair or exhaust any right or power consequent thereon.

If one or more Series V-3 Events of Default shall happen and be continuing, the Trustee in its discretion may, and upon the written request of the Holders of a majority in aggregate principal amount of the Series V-3 Bonds then Outstanding, and upon being indemnified to its reasonable satisfaction therefor, shall proceed to protect or enforce its rights or the rights of the Holders of Series V-3 Bonds under the Act or under the Loan Agreement or the Indenture by a suit in equity or action at law, either for the specific performance of any covenant or agreement contained in the Indenture, or in aid of the execution of any power therein granted, or by mandamus or other appropriate proceeding for the enforcement of any other legal or equitable remedy as the Trustee shall deem most effectual in support of any of its rights or duties under the Indenture.

Limitation on Bondholder's Right to Sue

No Holder of any Series V-3 Bond shall have the right to institute any suit, action or proceeding at law or in equity, for the protection or enforcement of any right or remedy under the Indenture, the Loan Agreement, the Act or any other applicable law with respect to such Series V-3 Bond; provided, however, the Holders of at least a majority in aggregate principal amount of the Series V-3 Bonds then Outstanding may institute such a suit, action or proceeding at law or in equity, for the protection or enforcement of a right or remedy under the Indenture, the Loan Agreement, the Act or any other applicable law with respect

to the Series V-3 Bonds, if (1) such Holder or said Holders shall have given to the Trustee written notice of the occurrence of a Series V-3 Event of Default; (2) such Holder or said Holders shall have made written request upon the Trustee to exercise the powers granted in the Indenture or to institute such suit, action or proceeding in its own name; (3) such Holder or said Holders shall have tendered to the Trustee indemnity satisfactory to it against the costs, expenses and liabilities to be incurred in compliance with such request; and (4) the Trustee shall have refused or omitted to comply with such request for a period of 60 days after such written request shall have been received by, and said tender of indemnity shall have been made to, the Trustee.

Amendment of Indenture and Loan Agreement

The Indenture and the rights and obligations of the Authority and of the Holders of the Bonds and of the Trustee may be modified or amended from time to time and at anytime by an indenture or indentures supplemental to the Indenture, which the Authority and the Trustee may enter into when the written consent of the Holders of a majority in aggregate principal amount of the Bonds then Outstanding shall have been filed with the Trustee. No such modification or amendment shall (1) extend the fixed maturity of any Bond, or reduce the amount of principal thereof, or extend the time of payment, or reduce the rate of interest thereon, or extend the time of payment of interest thereon, or reduce any premium payable upon the redemption thereof (except as may be permitted with respect to Variable Rate Bonds), without the consent of the Holder of each Bond so affected, or (2) reduce the percentage of Bonds the consent of the Holders of which is required to effect any such modification or amendment, or permit the creation of any lien on the Revenues and other assets pledged under the Indenture prior to or on a parity with the lien created by the Indenture, or deprive the Holders of the Bonds of the lien created by the Indenture on such Revenues and other assets (except as expressly provided in the Indenture), without the consent of the Holders of all Bonds then Outstanding.

The Indenture may also be modified or amended but without the necessity of obtaining the consent of any Bondholders, for one or more of the following purposes: (1) to add to the covenants and agreements of the Authority contained in the Indenture other covenants and agreements thereafter to be observed, to pledge or assign additional security for the Bonds (or any portion thereof), or to surrender any right or power reserved to or conferred upon the Authority, provided, that no such covenant, agreement, pledge, assignment or surrender shall, as evidenced by a Certificate of the Borrower or an Opinion of Counsel described in the Indenture, materially adversely affect the interests of the Holders of the Bonds; (2) to make such provisions for the purpose of curing any ambiguity, inconsistency or omission, or of curing or correcting any defective provision, contained in the Indenture, or in regard to matters or questions arising under the Indenture, as the Authority or the Trustee may deem necessary or desirable and not inconsistent with the Indenture, and which shall not, as evidenced by a Certificate of the Borrower or the Opinion of Counsel described in the Indenture, materially adversely affect the interests of the Holders of the Bonds; (3) to modify, amend or supplement the Indenture in such manner as to permit the qualification thereof under the Trust Indenture Act of 1939, as amended; as amended, or any similar federal statute after in effect, if required by such act or statute, and to add such other terms, conditions and provisions as may be permitted by said act or similar federal statute, and which shall not, as evidenced by a Certificate of the Borrower or the Opinion of Counsel described in the Indenture, materially adversely affect the interests of the Holders of the Bonds (4) to provide any additional procedures, covenants or agreements to maintain the exclusion from gross income for federal income tax purposes of interest on the Bonds; (5) to facilitate (i) the transfer of Bonds from one Depository to another in the succession of Depositories, or (ii) the withdrawal from a Depository of Bonds held in a Book-Entry System and the issuance of replacement Bonds in fully registered form to Persons other than a Depository; (6) to authorize different authorized denominations of the Bonds and to make correlative amendments and modifications to the Indenture regarding exchangeability of Bonds of different authorized denominations, redemptions of portions of Bonds of particular authorized denominations and similar amendments and modifications of a technical nature; (7) to make any

amendments appropriate or necessary to provide for any insurance policy, letter of credit, guaranty, surety bond, line of credit, revolving credit agreement, standby bond purchase agreement or other agreement or security device delivered to the Trustee and providing for (i) payment of the principal, interest and redemption premium on the Bonds or a portion thereof, (ii) payment of the purchase price of Variable Rate Bonds or (iii) both (i) and (ii); (8) to make any changes required by a Rating Agency in order to obtain or maintain a rating for the Bonds; (9) to provide for the issuance of an additional Series of Bonds pursuant to the Indenture, including any amendments appropriate or necessary to provide for issuance of Variable Rate Bonds or an additional Series of Bonds the interest on which is subject to federal income taxation; provided, that no such amendment shall, as evidenced by a Certificate of the Borrower or an Opinion of Counsel described in the Indenture, materially adversely affect the interests of the Holders of the Bonds; or (10) to modify, alter, amend or supplement the Indenture in any other respect which is not, as evidenced by a Certificate of the Borrower or an Opinion of Counsel described in the Indenture, materially adverse to the Bondholders.

Except as provided in the Indenture, the Authority shall not supplement, amend, modify or terminate any of the terms of the Loan Agreement, or consent to any such amendment, modification or termination, without the prior written consent of the Trustee. The Trustee shall give such written consent if but only if (1) it has received a Certificate of the Borrower to the effect that such amendment, modification or termination will not materially and adversely affect the interests of the Holders of the Bonds (which Certificate of the Borrower may be based on certifications, opinions or representations of other parties in accordance with the provisions of the Indenture); provided that, if an Event of Default has occurred and is continuing, the Trustee rather than the Borrower shall make a determination that such amendment or modification will not materially and adversely affect the interests of the Holders of the Bonds (provided that, in making such determination, the Trustee may conclusively rely on written representations of financial consultants or advisors or the opinion or advice of counsel), or in lieu of making such determination, the Trustee may obtain the consent of the Holders holding a majority in aggregate principal amount of the Bonds, or (2) the Holders of a majority in aggregate principal amount of the Bonds then Outstanding consent in writing to such amendment, modification or termination, provided that no such amendment, modification or termination shall reduce the amount of Base Loan Payments to be made to the Authority or the Trustee by the Borrower pursuant to the Loan Agreement, or extend the time for making such payments, without the written consent of all of the Holders of the Bonds then Outstanding.

The Loan Agreement may also be supplemented, modified or amended from time to time and at any time by the Authority without the necessity of obtaining the consent of any Bondholders, only to the extent permitted by law and only for any one or more of the following purposes: (1) to add to the covenants and agreements of the Authority or the Borrower contained in the Loan Agreement other covenants and agreements thereafter to be observed, to pledge or assign additional security for the Bonds (or any portion thereof), or to surrender any right or power therein reserved to or conferred upon the Authority or the Borrower, provided, that, as evidenced by a Certificate of the Borrower, no such covenant, agreement, pledge, assignment or surrender shall materially adversely affect the interests of the Holders of the Bonds; (2) to make such provisions for the purpose of curing any ambiguity, inconsistency or omission, or of curing or correcting any defective provision, contained in the Loan Agreement, or in regard to matters or questions arising under the Loan Agreement, as the Authority may deem necessary or desirable and not inconsistent with the Loan Agreement or the Indenture, and, as evidenced by a Certificate of the Borrower, which shall not materially adversely affect the interests of the Holders of the Bonds; (3) in connection with the issuance of an additional Series of Bonds pursuant to the Indenture; or (4) to maintain the exclusion from gross income for federal income tax purposes of interest payable with respect to the Bonds, as evidenced by a Favorable Opinion of Bond Counsel delivered to the Trustee.

Defeasance

The Bonds may be paid by the Authority or the Trustee on behalf of the Authority in any of the following ways: (a) by paying or causing to be paid the principal or Redemption Price of and interest on all Bonds Outstanding, as and when the same become due and payable; (b) by depositing with the Trustee in trust, at or before maturity, moneys or securities in the necessary amount (as provided in the Indenture) to pay when due or redeem all Bonds then Outstanding; or (c) by delivering to the Trustee, for cancellation by it, all Bonds then Outstanding. If the Authority shall also pay or cause to be paid all other sums payable under the Indenture by the Authority and the Borrower shall have paid all Administrative Fees and Expenses payable to the Authority pursuant to the Loan Agreement, then and in that case at the election of the Authority and notwithstanding that any Bonds shall not have been surrendered for payment, the Indenture and the pledge of Revenues and other assets made under the Indenture and all covenants, agreements and other obligations of the Authority under the Indenture shall cease, terminate, become void and be completely discharged and satisfied.

Governing Law

The laws of the State of California govern all matters arising out of or relating to the Indenture and the Bonds, including, without limitation, their validity, interpretation, construction, performance and enforcement.

Any party bringing a legal action or proceeding against any other party arising out of or relating to the Indenture must bring the legal action or proceeding in Sacramento County Superior Court, Sacramento, California, unless the Authority waives this requirement in writing. Each party to the Indenture has agreed that the exclusive (subject to waiver as set forth therein) choice of forum set forth as described therein does not prohibit the enforcement of any judgment obtained in that forum or any other appropriate forum. Each party to the Indenture has waived, to the fullest extent permitted by law, (a) any objection which may have to the laying of venue of any legal action or proceeding arising out of or relating to the Indenture brought in the Sacramento County Superior Court, Sacramento, California, and (b) any claim that any such action or proceeding brought in such court has been brought in an inconvenient forum.

LOAN AGREEMENT

The Loan Agreement provides the terms of the loan of proceeds of the Bonds to the Borrower and the repayment of and security for such loan provided by the Borrower. Certain of the provisions of the Loan Agreement are summarized below. This summary does not purport to be complete or definitive and is qualified in its entirety by reference to the full terms of the Loan Agreement.

Payment of the Series V-3 Bonds and Certain Other Expenses

Pursuant to the Loan Agreement, the Borrower agrees that it will pay to the Trustee all sums necessary for the payment of the debt service on the Series V-3 Bonds ("Series V-3 Base Loan Payments"). The Borrower shall make such Series V-3 Base Loan Payments (i) on each Interest Payment Date the full amount of the interest becoming due and payable on such Interest Payment Date on all Outstanding Series V-3 Bonds; and (ii) on each Principal Payment Date the aggregate amount of principal becoming due and payable on the Outstanding Series V-3 Bonds, plus the aggregate amount of mandatory sinking account payments, if any, required to be paid into the sinking accounts in connection with the Series V-3 Bonds, in each case on such Principal Payment Date. The Trustee is required under the Indenture to notify the Authority and the Borrower immediately if it has not received payment by the due date. The Borrower shall also make additional payments for expenses of the Trustee and the Authority, such additional payments to be billed to the Borrower by the Authority or the Trustee from time to time.

Any amounts held in the Series V-3 Interest Account within the Series V-3 Bond Fund (including any investment income credited to the Series V-3 Interest Account pursuant to the Indenture) for the payment of interest on the Series V-3 Bonds shall be credited against the Series V-3 Base Loan Payments of interest then required to be met by the Borrower to the extent such amounts are in excess of the amount required for the payment of interest accrued to the date fixed for redemption or maturity, where the Series V-3 Bonds have not been presented for payment. Any amounts held in the Series V-3 Principal Account within the Series V-3 Bond Fund (including any investment income credited to the Series V-3 Principal Account pursuant to the Indenture) for the payment of principal on the Series V-3 Bonds shall be credited against the Series V-3 Base Loan Payments of principal then required to be met by the Borrower to the extent such amounts are in excess of the amount required for the payment of any Series V-3 Bonds on the date fixed for redemption or maturity, where the Series V-3 Bonds have not been presented for payment.

The Loan Agreement also provides that if on any Interest Payment Date or Principal Payment Date, the balance in the Series V-3 Interest Account or Series V-3 Principal Account within the Series V-3 Bond Fund is insufficient or unavailable to make required payments of principal of (whether at maturity, by redemption or by acceleration as provided in the Indenture), premium, if any, and interest due on the Series V-3 Bonds on such date, the Borrower shall forthwith pay any such deficiency to the Trustee for deposit in the appropriate account within the Series V-3 Bond Fund. The Borrower acknowledges that the Trustee shall give notice: (1) to the Borrower in accordance with the Indenture at least five (5) Business Days before each Interest Payment Date of the amount, if any, credited or to be credited to the Series V-3 Interest Account by such next Interest Payment Date and the amount of the Series V-3 Base Loan Payment then due from the Borrower; and (2) to the Borrower and the Authority in accordance with the Indenture if the Borrower fails to make any required payment by the due date, such notice to be given by telephone, telecopy or electronic means followed by written notice.

Certain Covenants of the Borrower

The Borrower covenants in the Loan Agreement that, so long as any Bonds remain Outstanding:

(a) it will maintain its existence as a body duly exercising corporate powers and privileges under the Constitution and laws of the State of California and will not dissolve, sell or otherwise dispose of all or substantially all of its assets or consolidate with or merge into another entity or permit one or more other entities to consolidate with or merge into it, except under certain circumstances described in the Loan Agreement;

(b) it will maintain or cause to be maintained insurance of such type, against such risks and in such amounts, with insurance companies or by means of self-insurance, as are customarily carried by organizations of a nature similar to that of the Borrower, which insurance shall include property damage, fire and extended coverage, public liability and property damage liability insurance in amounts estimated to indemnify the reasonably anticipated damage, loss or liability;

(c) it will furnish to the Authority and the Trustee within 180 days after the end of each of its fiscal years certain financial information as of the end of such year; and,

(d) it will not take any action or fail to take any action, if such action or failure to take such action would result in the interest on the Bonds not being excluded from gross income for federal income tax purposes under Section 103 of the Code.

Prepayment

The Borrower shall have the right, so long as all amounts which have become due under the Loan Agreement have been paid, at any time or from time to time to prepay all or any part of the Series V-3 Base Loan Payments and the Authority agrees that the Trustee shall accept such prepayments when the same are tendered. Prepayments may be made by payments of cash, deposit of Investment Securities or surrender of Series V-3 Bonds, as contemplated by the Loan Agreement. All such prepayments (and the additional payment of any amount necessary to pay the applicable premium, if any, payable upon the redemption of Series V-3 Bonds) shall be deposited upon receipt in the Series V-3 Redemption Fund and, at the request of, and as determined by, the Borrower, credited against the Series V-3 Base Loan Payments in the order of their due date or used for the redemption or purchase of Outstanding Series V-3 Bonds in the manner and subject to the terms and conditions set forth in the Indenture.

Amendment

The Loan Agreement may not be effectively amended, changed, modified, altered or terminated without the concurring written consent of the Trustee, which consent shall be given in accordance with the provisions of the Indenture. See “INDENTURE – Amendment of Indenture and Loan Agreement.”

Events of Default; Remedies on Default

Series V-3 Loan Default Events include:

- (a) failure by the Borrower to make any Series V-3 Base Loan Payment or Additional Payment by its due date;
- (b) failure by the Borrower to observe or perform any covenant, condition or agreement contained in the Loan Agreement other than paragraph (a) above, on its part to be observed or performed, for a period of 45 days after written notice thereof has been given to the Borrower by the Authority or the Trustee; provided, however, if the failure stated in the notice is correctable but cannot be corrected within 45 days, the Authority will not unreasonably withhold its consent to an extension of such time if corrective action is instituted by the Borrower within the applicable period and diligently pursued until the default is corrected;
- (c) the representations or warranties of the Borrower made in the Loan Agreement or in any other document, certificate or writing furnished by the Borrower to the Authority in connection with the application for or the negotiation of the Loan Agreement or the issuance of the Series V-3 Bonds being false or incorrect in any material respect; and
- (d) an Act of Bankruptcy of the Borrower.

The Authority or the Trustee, in the case of any event of default, may take any one or more of the following remedial steps:

- (a) declare all installments of Series V-3 Base Loan Payments payable under the Loan Agreement for the remainder of its term to be immediately due and payable; or
- (b) take whatever action at law or in equity may appear necessary or desirable to collect the payments then due and thereafter to become due under the Loan Agreement or to enforce the performance and observance of any obligation, condition or covenant of the Borrower under the Loan Agreement.

Governing Law, Venue

The laws of the State of California govern all matters arising out of or relating to the Loan Agreement, including, without limitation, its validity, interpretation, construction, performance, and enforcement.

Any party bringing a legal action or proceeding against any other party arising out of or relating to the Loan Agreement must bring the legal action or proceeding in the Sacramento County Superior Court, Sacramento, California, unless the Authority waives this requirement in writing. Each party to the Loan Agreement has agreed that the exclusive (subject to waiver as set forth therein) choice of forum set forth therein does not prohibit the enforcement of any judgment obtained in that forum or any other appropriate forum. Each party to the Loan Agreement has waived, to the fullest extent permitted by law, (a) any objection that it may now or later have to the laying of venue of any legal action or proceeding arising out of or relating to the Loan Agreement brought in the Sacramento County Superior Court, Sacramento, California, and (b) any claim that any such action or proceeding brought in such court has been brought in an inconvenient forum.

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APPENDIX C

BOOK-ENTRY ONLY SYSTEM

The information in this Appendix C concerning The Depository Trust Company (“DTC”), New York, New York, and DTC’s book entry system has been obtained from DTC and the Authority, the University, the Underwriters and the Trustee take no responsibility for the completeness or accuracy thereof. The Authority, the University, the Underwriters and the Trustee cannot, and do not, give any assurances that DTC, DTC Participants or Indirect Participants will distribute to the Beneficial Owners (a) payments of interest or principal with respect to the Series V-3 Bonds, (b) certificates representing ownership interest in or other confirmation or ownership interest in the Series V-3 Bonds, or (c) notices sent to DTC or Cede & Co., its nominee, as the registered owner of the Series V-3 Bonds, or that they will so do on a timely basis, or that DTC, DTC Participants or DTC Indirect Participants will act in the manner described in this Appendix. The current “Rules” applicable to DTC are on file with the Securities and Exchange Commission and the current “Procedures” of DTC to be followed in dealing with DTC Participants are on file with DTC.

DTC will act as securities depository for the Series V-3 Bonds. The Series V-3 Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC’s partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully registered security certificate will be issued for each maturity of the Series V-3 Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world’s largest depository, is a limited-purpose trust company organized under the New York Banking Law, a “banking organization” within the meaning of the New York Banking Law, a member of the Federal Reserve System, a “clearing corporation” within the meaning of the New York Uniform Commercial Code, and a “clearing agency” registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments from over 100 countries that DTC’s participants (“Direct Participants”) deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants’ accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation (“DTCC”). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly (“Indirect Participants”). DTC has a Standard & Poor’s rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com; nothing contained in such website is incorporated into this Official Statement.

Purchases of the Series V-3 Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Series V-3 Bonds on DTC’s records. The ownership interest of each actual purchaser of each Series V-3 Bond (“Beneficial Owner”) is in turn to be recorded on the Direct and Indirect Participants’ records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or

Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Series V-3 Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in the Series V-3 Bonds, except in the event that use of the book-entry system for the Series V-3 Bonds is discontinued.

To facilitate subsequent transfers, all Series V-3 Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of the Series V-3 Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Series V-3 Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Series V-3 Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Series V-3 Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Series V-3 Bonds, such as redemptions, tenders, defaults and proposed amendments to the Series V-3 Bond documents. For example, Beneficial Owners of the Series V-3 Bonds may wish to ascertain that the nominee holding the Series V-3 Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Series V-3 Bonds within a maturity are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such maturity to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Series V-3 Bonds unless authorized by a Direct Participant in accordance with DTC's Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the issuer as soon as possible after the Record Date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Series V-3 Bonds are credited on the Record Date (identified in a listing attached to the Omnibus Proxy).

Payments of principal and interest evidenced by the Series V-3 Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from the Authority or the Trustee, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, the Trustee, the University or the Authority, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of principal and interest on the Series V-3 Bonds to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of the Trustee, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Series V-3 Bonds at any time by giving reasonable notice to the Authority or the Trustee. Under such circumstances, in the event that a successor depository is not obtained, Series V-3 Bond certificates are required to be printed and delivered.

The Authority may decide to discontinue use of the system of book-entry transfers through DTC (or a successor securities depository). In that event, Series V-3 Bond certificates will be printed and delivered.

THE AUTHORITY, THE UNIVERSITY, THE UNDERWRITERS OR THE TRUSTEE WILL NOT HAVE ANY RESPONSIBILITY OR OBLIGATION TO DTC PARTICIPANTS, INDIRECT PARTICIPANTS OR BENEFICIAL OWNERS WITH RESPECT TO THE PAYMENTS OR THE PROVIDING OF NOTICE TO DTC PARTICIPANTS, INDIRECT PARTICIPANTS OR BENEFICIAL OWNERS.

None of the Authority, the University, the Underwriters or the Trustee can give any assurances that DTC, DTC Participants, Indirect Participants or others will distribute payments of principal and interest on the Series V-3 Bonds paid to DTC or its nominee, as the registered Owner, or any notice, to the Beneficial Owners or that they will do so on a timely basis or that DTC will serve and act in a manner described in this Official Statement.

The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the Authority, the University, the Underwriters and the Trustee believe to be reliable, but the Authority, the University, the Underwriters and the Trustee take no responsibility for the accuracy thereof.

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APPENDIX D

FORM OF CONTINUING DISCLOSURE AGREEMENT

This Continuing Disclosure Agreement (the “Agreement”) dated June 1, 2023, by and between The Board of Trustees of the Leland Stanford Junior University (the “University”) and The Bank of New York Mellon Trust Company, N.A., bond trustee (the “Trustee”) under an Indenture, dated as of April 1, 2019 (the “Original Indenture”), as supplemented by the First Supplemental Indenture, dated as of April 1, 2021 (the “First Supplemental Indenture”) and the Second Supplemental Indenture, dated as of June 1, 2023 (the “Second Supplemental Indenture,” and together with the Original Indenture and the First Supplemental Indenture, the “Indenture”), between the California Educational Facilities Authority (the “Authority”) and the Trustee, the Trustee executing this Agreement both in its capacity as Trustee and in its capacity as Dissemination Agent hereunder, is executed and delivered in connection with the issuance of the Authority’s California Educational Facilities Authority Revenue Bonds (Stanford University) Series V-3 (the “Bonds”). The proceeds of the Bonds are to be loaned by the Authority to the University pursuant to a Loan Agreement, dated as of April 1, 2019 (the “Original Loan Agreement”), as supplemented by the First Supplemental Loan Agreement, dated as of April 1, 2021 (the “First Supplemental Loan Agreement”) and the Second Supplemental Loan Agreement, dated as of June 1, 2023 (the “Second Supplemental Loan Agreement,” and together with the Original Loan Agreement and the First Supplemental Loan Agreement, the “Loan Agreement”). Capitalized terms used in this Agreement which are not otherwise defined in the Indenture shall have the respective meanings specified in Article IV hereof. The parties agree as follows:

ARTICLE I

The Undertaking

Section 1.1. Purpose; No Authority Responsibility or Liability. This Agreement shall constitute a written undertaking for the benefit of the holders of the Bonds and is being executed and delivered solely to assist the Underwriters in complying with subsection (b)(5) of the Rule. The University, the Dissemination Agent and the Trustee acknowledge that the Authority has undertaken no responsibility, and shall not be required to undertake any responsibility, with respect to any reports, notices or disclosures required by or provided pursuant to this Agreement, and shall have no liability to any person, including any holder of the Bonds, with respect to any such reports, notices or disclosures.

Section 1.2. Annual Financial Information. (a) The University shall provide Annual Financial Information to the Dissemination Agent with respect to each fiscal year of the University, commencing with fiscal year ended August 31, 2023 by no later than one hundred and eighty (180) days after the end of the respective fiscal year. The Dissemination Agent shall provide such Annual Financial Information to the Repository and the Authority, in each case within two (2) Business Days after receipt by the Dissemination Agent, or as soon as reasonably practicable thereafter.

(b) The Dissemination Agent shall provide, in a timely manner, notice of any failure of the University or the Dissemination Agent to provide the Annual Financial Information by the date specified in subsection (a) above, in each case to (i) the Repository, (ii) the Authority, and (iii) if such failure is of the University, the University. Such notice shall substantially be in the form attached hereto as Exhibit A.

Section 1.3. Audited Financial Statements. If not provided as part of Annual Financial Information by the date required by Section 1.2 hereof, the University shall provide Audited Financial Statements, when and if available, to the Dissemination Agent. The Dissemination Agent shall provide

any such Audited Financial Statements to the Repository and the Authority, in each case within two (2) Business Days after receipt by the Dissemination Agent, or as soon as reasonably practicable thereafter.

Section 1.4. Listed Event Notices. (a) If a Listed Event occurs, the University shall provide, in a timely manner, notice of such Listed Event to the Dissemination Agent. The Dissemination Agent shall provide notice of each such Listed Event received from the University to the Repository within one Business Day after receipt by the Dissemination Agent, or as soon as reasonably practicable thereafter, but in no case in excess of ten (10) Business Days after the occurrence of such Listed Event (provided that the Dissemination Agent receives notice of such Listed Event from the University prior to such date).

(b) Any such notice of a defeasance of the Bonds shall state whether the Bonds have been escrowed to maturity and the timing of such maturity.

(c) The Trustee shall promptly advise the University and the Authority whenever, in the course of performing its duties as Trustee under the Indenture, the Trustee has actual notice of an occurrence of an event described herein as a “Listed Event”; provided, however, that the failure of the Trustee so to advise the University or the Authority shall not constitute a breach by the Trustee of any of its duties and responsibilities under this Agreement or the Indenture and the Trustee shall not be required to make any determination regarding materiality of any such event.

Section 1.5. Additional Disclosure Obligations. The University acknowledges and understands that other state and federal laws, including but not limited to the Securities Act of 1933, as amended, and Rule 10b-5 promulgated under the Securities Exchange Act of 1934, as amended, may apply to the University and that, under some circumstances, additional disclosures or other action may be required to enable the University to fully discharge all of its duties and obligations under such laws.

Section 1.6. Additional Information. Nothing in this Agreement shall be deemed to prevent the University from disseminating any other information, using the means of dissemination set forth in this Agreement or any other means of communication, or including any other information in any Annual Financial Information or notice of Listed Event hereunder, in addition to that which is required by this Agreement. If the University chooses to do so, the University shall have no obligation under this Agreement to update such additional information or include it in any future Annual Financial Information or notice of a Listed Event hereunder.

Section 1.7. No Previous Non-Compliance. The University represents that since June 1, 2018, it has not failed to comply in any material respect with any previous undertaking in a written contract or agreement specified in paragraph (b)(5)(i) of the Rule.

ARTICLE II

Operating Rules

Section 2.1. Reference to Other Documents. It shall be sufficient for purposes of Section 1.2 hereof if the University provides Annual Financial Information by specific reference to documents (including Official Statements) available from the Repository.

Section 2.2. Submission of Information. Annual Financial Information may be provided in one document or multiple documents and at one time or in part from time to time.

Section 2.3. Listed Event Notices. Each notice of a Listed Event hereunder shall be captioned “Notice of Listed Event” and shall prominently state the title, date and CUSIP numbers of the Bonds.

Section 2.4. Transmission of Information and Notices. Unless otherwise required by law and, in the Dissemination Agent's sole determination, subject to technical and economic feasibility, the Dissemination Agent shall employ such methods of information and notice transmission as shall be requested or recommended by the herein-designated recipients of the University's information and notices.

Section 2.5. Fiscal Year. (a) The University's current fiscal year is September 1 to August 31, and the University shall promptly notify the Dissemination Agent in writing of each change in its fiscal year. The Trustee shall provide such notice to the Repository and the Authority, in each case within two (2) Business Days after receipt by the Dissemination Agent, or as soon as reasonably practicable thereafter.

(b) Annual Financial Information shall be provided at least annually notwithstanding any fiscal year longer than twelve (12) calendar months.

ARTICLE III

Effective Date, Termination, Amendment and Enforcement

Section 3.1. Effective Date, Termination. (a) This Agreement shall be effective upon the issuance of the Bonds.

(b) The University's and the Dissemination Agent's obligations under this Agreement shall terminate upon a legal defeasance or payment in full of all of the Bonds.

(c) If the University's obligations under the Loan Agreement are assumed in full by some other entity, such person shall be responsible for compliance with this Agreement in the same manner as if it were the University, and thereupon the original University shall have no further responsibility hereunder.

(d) This Agreement, or any provision hereof, shall be null and void in the event that (1) the University delivers to the Dissemination Agent and the Trustee an opinion of Counsel, addressed to the University, the Authority and the Trustee, to the effect that those portions of the Rule which require this Agreement, or such provision, as the case may be, do not or no longer apply to the Bonds, whether because such portions of the Rule are invalid, have been repealed, or otherwise, as shall be specified in such opinion, and (2) the Dissemination Agent delivers copies of such opinion to the Repository and the Authority. The Dissemination Agent shall so deliver such opinion within one Business Day after receipt by the Dissemination Agent, or as soon as reasonably practicable thereafter.

Section 3.2. Amendment. (a) This Agreement may be amended, by written agreement of the parties, without the consent of the holders of the Bonds (except to the extent required under clause (4)(ii) below), if all of the following conditions are satisfied: (1) such amendment is made in connection with a change in circumstances that arises from a change in legal (including regulatory) requirements, a change in law (including rules or regulations) or in interpretations thereof, or a change in the identity, nature or status of the University or the type of business conducted thereby, (2) this Agreement as so amended would have complied with the requirements of the Rule as of the date of this Agreement, after taking into account any amendments or interpretations of the Rule, as well as any change in circumstances, (3) the University shall have delivered to the Dissemination Agent and the Trustee an opinion of Counsel, addressed to the University, the Authority and the Trustee, to the same effect as set forth in clause (2) above, (4) either (i) the University shall have delivered to the Dissemination Agent and the Trustee an opinion of Counsel or a determination by a person, in each case unaffiliated with the Authority or the

University (such as bond counsel or Dissemination Agent) and acceptable to the University, addressed to the University, the Authority and the Trustee, to the effect that the amendment does not materially impair the interests of the holders of the Bonds or (ii) the holders of the Bonds consent to the amendment to this Agreement pursuant to the same procedures as are required for amendments to the Indenture with consent of holders of the Bonds pursuant to Section 9.01 of the Indenture as in effect on the date of this Agreement, and (5) the Dissemination Agent shall have delivered copies of such opinion(s) and amendment to the Repository and the Authority. The Dissemination Agent shall so deliver such opinion(s) and amendment within one Business Day after receipt by the Dissemination Agent.

(b) In addition to subsection (a) above, this Agreement may be amended by written agreement of the parties, without the consent of the holders of the Bonds, if all of the following conditions are satisfied: (1) an amendment to the Rule is adopted, or a new or modified official interpretation of the Rule is issued, after the effective date of this Agreement which is applicable to this Agreement, (2) the University shall have delivered to the Dissemination Agent and the Trustee an opinion of Counsel, addressed to the University, the Authority and the Trustee, to the effect that performance by the University and the Trustee under this Agreement as so amended will not result in a violation of the Rule and (3) the Dissemination Agent shall have delivered copies of such opinion and amendment to the Repository and the Authority. The Dissemination Agent shall so deliver such opinion and amendment within one Business Day after receipt by the Dissemination Agent or as soon as reasonably practicable thereafter.

(c) To the extent any amendment to this Agreement results in a change in the type of financial information or operating data provided pursuant to this Agreement, the first Annual Financial Information provided thereafter shall include a narrative explanation of the reasons for the amendment and the impact of the change in the type of operating data or financial information being provided.

(d) If an amendment is made pursuant to Section 3.2(a) hereof to the accounting principles to be followed by the University in preparing its financial statements, the Annual Financial Information for the fiscal year in which the change is made shall present a comparison between the financial statements or information prepared on the basis of the new accounting principles and those prepared on the basis of the former accounting principles. Such comparison shall include a qualitative and, to the extent reasonably feasible, quantitative discussion of the differences in the accounting principles and the impact of the change in the accounting principles on the presentation of the financial information.

Section 3.3. Benefit; Third-Party Beneficiaries; Enforcement. (a) The provisions of this Agreement shall constitute a contract with and inure solely to the benefit of the holders from time to time of the Bonds, except that Beneficial Owners of the Bonds shall be third-party beneficiaries of this Agreement and shall be deemed to be holders of the Bonds for purposes of Section 3.3(b) hereof. The provisions of this Agreement shall create no rights in any person or entity except as provided in this subsection (a).

(b) The obligations of the University to comply with the provisions of this Agreement shall be enforceable (i) in the case of enforcement of obligations to provide financial statements, financial information, operating data and notices, by any holder of the outstanding Bonds or by the Trustee on behalf of the holders of the outstanding Bonds, or (ii) in the case of challenges to the adequacy of the financial statements, financial information and operating data so provided, by the Trustee on behalf of the holders of the outstanding Bonds; provided, however, that the Trustee shall not be required to take any enforcement action except at the direction of the holders of not less than a majority in aggregate principal amount of the Bonds at the time outstanding, who shall have provided the Trustee with adequate security and indemnity. The holders' and Trustee's rights to enforce the provisions of this

Agreement shall be limited solely to a right, by action in mandamus or for specific performance, to compel performance of the University's obligations under this Agreement.

(c) Any failure by the University, the Dissemination Agent or the Trustee to perform in accordance with this Agreement shall not constitute a default or an Event of Default under the Indenture, and the rights and remedies provided by the Indenture upon the occurrence of a default or an Event of Default shall not apply to any such failure.

(d) This Agreement shall be construed and interpreted in accordance with the laws of the State, and any suits and actions arising out of this Agreement shall be instituted in a court of competent jurisdiction in the State; provided, however, that to the extent this Agreement addresses matters of federal securities laws, including the Rule, this Agreement shall be construed in accordance with such federal securities laws and official interpretations thereof.

ARTICLE IV

Definitions

Section 4.1. Definitions. The following terms used in this Agreement shall have the following respective meanings:

(1) "Annual Financial Information" means, collectively, (i) the financial information and operating data with respect to the University for each fiscal year of the University ended on and after August 31, 2023 to be provided in any reasonable manner and containing, in substance, such information and data as is set forth in Appendix A to the Authority's Official Statement regarding the Bonds under the headings "PART I – GENERAL INFORMATION ABOUT STANFORD UNIVERSITY – Faculty and Staff," "– Students," and "– Capital Improvement Programs" and (ii) the information regarding amendments to this Agreement required pursuant to Sections 3.2(c) and (d) of this Agreement. Annual Financial Information shall include Audited Financial Statements, if available, or Unaudited Financial Statements.

The descriptions contained in clause (i) above of financial information and operating data constituting Annual Financial Information are of general categories of financial information and operating data. When such descriptions include information that no longer can be generated because the operations to which it related have been materially changed or discontinued, a statement to that effect shall be provided in lieu of such information.

(2) "Audited Financial Statements" means the annual financial statements for each fiscal year ended on and after August 31, 2023, if any, of the University, audited by such auditor as shall then be required or permitted by State law or the Indenture. Audited Financial Statements shall be prepared in accordance with GAAP.

(3) "Counsel" means any nationally recognized bond counsel or counsel expert in federal securities laws.

(4) "Dissemination Agent" means The Bank of New York Mellon Trust Company, N.A., acting in its capacity as Dissemination Agent hereunder, or any successor Dissemination Agent designated in writing by the University and which has filed with the Trustee and the University a written acceptance of such designation.

(5) “GAAP” means generally accepted accounting principles as prescribed from time to time by the Financial Accounting Standards Board or any successor to the duties or responsibilities thereof.

(6) “Listed Events” means any of the following events with respect to the Bonds, whether relating to the University or otherwise:

- (i) Principal and interest payment delinquencies;
- (ii) Non-payment related defaults, if material;
- (iii) Unscheduled draws on debt service reserves reflecting financial difficulties;
- (iv) Unscheduled draws on credit enhancements reflecting financial difficulties;
- (v) Substitution of credit or liquidity providers, or their failure to perform;
- (vi) Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Bonds, or other material events affecting the tax status of the Bonds;
- (vii) Modifications to rights of Bondowners, if material;
- (viii) Bond calls, if material (the giving of notice of regularly scheduled mandatory sinking fund redemption shall not be deemed material for this purpose);
- (ix) Defeasances;
- (x) Release, substitution, or sale of property securing repayment of the Bonds, if material;
- (xi) Rating changes;
- (xii) Tender offers;
- (xiii) Bankruptcy, insolvency, receivership or similar event with respect to an obligated person;
- (xiv) The consummation of a merger, consolidation, acquisition or sale of all or substantially all of the assets of an obligated person, other than in the ordinary course of business, the entry into a definitive agreement to take such an action or termination of a definitive agreement to undertake any such action, other than pursuant to its terms, if material; and
- (xv) Appointment of a successor or an additional trustee or change in the name of a trustee, if material;
- (xvi) Incurrence of a financial obligation, as defined in the Rule, of the University, if material, or agreement to covenants, events of default, remedies, priority rights, or other similar terms of a financial obligation of the University, any of which affect security holders, if material; and

(xvii) Default, event of acceleration, termination event, modification of terms, or other similar events under the terms of a financial obligation of the University, any of which reflect financial difficulties.

(7) “MSRB” means the Municipal Securities Rulemaking Board established pursuant to Section 15B(b)(1) of the Securities Exchange Act of 1934.

(8) “Official Statement” means a “final official statement,” as defined in paragraph (f)(3) of the Rule.

(9) “Repository” means the MSRB or any other information repository as recognized from time to time by the SEC for the purposes referred to in the Rule.

(10) “Rule” means Rule 15c2-12 promulgated by the SEC under the Securities Exchange Act of 1934 (17 CFR Part 240, §240.15c2-12), as in effect on the date of this Agreement, including any official interpretations thereof issued either before or after the effective date of this Agreement which are applicable to this Agreement.

(11) “SEC” means the United States Securities and Exchange Commission.

(12) “State” means the State of California.

(13) “Unaudited Financial Statements” means the same as Audited Financial Statements, except that they shall not have been audited.

(14) “Underwriters” means J.P. Morgan Securities LLC and Morgan Stanley & Co. LLC.

ARTICLE V

Miscellaneous

Section 5.1. Duties, Immunities and Liabilities of Dissemination Agent and Trustee. The Dissemination Agent and the Trustee shall have only such duties under this Agreement as are specifically set forth in this Agreement and the Dissemination Agent shall not be liable except for its negligence or willful misconduct hereunder. The University agrees to indemnify and save the Dissemination Agent and the Trustee, their officers, directors, employees and agents, harmless against any loss, expense and liabilities which it may incur arising out of or in the exercise or performance of its powers and duties hereunder, including the costs and expenses (including attorneys’ fees and expenses) of defending against any claim of liability, but excluding liabilities due to the Dissemination Agent’s or the Trustee’s negligence or willful misconduct in the performance of its duties hereunder. Such indemnity shall be separate from, and in addition to, that provided to the Trustee under the Indenture. The Dissemination Agent shall be paid compensation by the University for its services provided hereunder in accordance with its schedule of fees as amended from time to time and all expenses, legal fees and advances made or incurred by the Dissemination Agent in the performance of its duties hereunder. The Dissemination Agent shall have no duty or obligation to review any information provided to it hereunder and shall not be deemed to be acting in any fiduciary capacity for the Authority, the University, the holders of the Bonds, or any other party. The obligations of the University under this Section shall survive resignation or removal of the Dissemination Agent and payment of the Bonds. The Dissemination Agent shall have the same rights, protections and immunities hereunder as provided to the Trustee under the Indenture.

Section 5.2. Counterparts. This Agreement may be executed in several counterparts, each of which shall be an original and all of which shall constitute but one and the same instrument.

Section 5.3. Dissemination Agent. The University may, from time to time, appoint or engage a Dissemination Agent to assist it in carrying out its obligations under this Disclosure Agreement and may discharge any such Dissemination Agent, with or without appointing a successor Dissemination Agent, upon notice to the University and the Dissemination Agent. The Dissemination Agent may resign at any time by providing thirty (30) days' written notice to the Trustee and the University. The initial Dissemination Agent shall be The Bank of New York Mellon Trust Company, N.A.

Section 5.4. Filing. The University and the Dissemination Agent may satisfy the University's disclosure obligations hereunder to file any Annual Financial Information or notices of Listed Events by filing the same with the MSRB through its Electronic Municipal Market Access system, in the format and with identifying or other information as may be required by the Securities and Exchange Commission or the MSRB, or any other Repository that may be recognized or permitted by the Securities and Exchange Commission in such manner as may be specified by the Securities and Exchange Commission or the Repository.

IN WITNESS WHEREOF, the parties have each caused this Agreement to be executed by their duly authorized representatives as of the date first above written.

THE BOARD OF TRUSTEES OF THE LELAND
STANFORD JUNIOR UNIVERSITY

By: _____
Karen L. Kearney
Treasurer

THE BANK OF NEW YORK MELLON TRUST
COMPANY, N.A., as Trustee and as Dissemination
Agent

By: _____
Authorized Representative

EXHIBIT A

NOTICE TO REPOSITORY OF FAILURE TO FILE ANNUAL REPORT

Name of Issuer: California Educational Facilities Authority

Name of Issue: California Educational Facilities Authority
Revenue Bonds (Stanford University)
Series V-3

Name of Obligor: The Board of Trustees of the Leland Stanford Junior University

Date of Issuance: June 1, 2023

NOTICE IS HEREBY GIVEN that The Board of Trustees of the Leland Stanford Junior University (the "University") has not provided Annual Financial Information with respect to the above-named Bonds as required by Section 1.2(a) of the Continuing Disclosure Agreement relating to the Bonds. The University anticipates that the Annual Financial Information will be filed by _____.

Dated: _____

The Bank of New York Mellon Trust Company, N.A.,
as Trustee and Dissemination Agent

By: _____
Authorized Officer

cc: The Board of Trustees of the Leland Stanford Junior University
California Educational Facilities Authority

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APPENDIX E
FORM OF BOND COUNSEL OPINION

[Dated Date]

California Educational Facilities Authority
Sacramento, California 95814

California Educational Facilities Authority Revenue Bonds
(Stanford University) Series V-3

(Final Opinion)

Ladies and Gentlemen:

We have acted as bond counsel to the California Educational Facilities Authority (the “Authority”) in connection with the issuance of \$241,545,000 aggregate principal amount of California Educational Facilities Authority Revenue Bonds (Stanford University) Series V-3 (the “Series V-3 Bonds”), issued pursuant to an Indenture, dated as of April 1, 2019, as supplemented and amended, including by the Second Supplemental Indenture, dated as of June 1, 2023 (as so supplemented and amended, the “Indenture”), between the Authority and The Bank of New York Mellon Trust Company, N.A., as trustee (the “Trustee”). The Indenture provides that the Series V-3 Bonds are issued for the stated purpose of making a loan of the proceeds thereof to The Board of Trustees of the Leland Stanford Junior University (the “Borrower”) pursuant to a Loan Agreement, dated as of April 1, 2019, as supplemented and amended, including by the Second Supplemental Loan Agreement, dated as of June 1, 2023 (together, the “Loan Agreement”), between the Authority and the Borrower. Capitalized terms not otherwise defined herein shall have the meanings ascribed thereto in the Indenture.

In such connection, we have reviewed the Indenture, the Loan Agreement, the Tax Agreement, dated the date hereof (the “Tax Agreement”), between the Authority and the Borrower, opinions of counsel to the Authority, the Borrower and the Trustee, certificates of the Authority, the Borrower, the Trustee and others, and such other documents, opinions and matters to the extent we deemed necessary to render the opinions set forth herein.

We have relied on the opinion of the Office of the General Counsel for the Leland Stanford Junior University, counsel to the Borrower, regarding, among other matters, the current qualification of the Borrower as an organization described in Section 501(c)(3) of the Internal Revenue Code of 1986 (the “Code”). We note that the opinion is subject to a number of qualifications and limitations. We have also relied upon representations of the Borrower regarding the use of the facilities financed or refinanced with the proceeds of the Series V-3 Bonds in activities that are not considered unrelated trade or business activities of the Borrower within the meaning of Section 513 of the Code. We note that the opinion of counsel to the Borrower does not address Section 513 of the Code. Failure of the Borrower to be organized and operated in accordance with the Internal Revenue Service’s requirements for the maintenance of its status as an organization described in Section 501(c)(3) of the Code, or use of the bond-financed or refinanced facilities in activities that are considered unrelated trade or business activities

of the Borrower within the meaning of Section 513 of the Code, may result in interest on the Series V-3 Bonds being included in gross income for federal income tax purposes, possibly from the date of issuance of the Series V-3 Bonds.

The opinions expressed herein are based on an analysis of existing laws, regulations, rulings and court decisions and cover certain matters not directly addressed by such authorities. Such opinions may be affected by actions taken or omitted or events occurring after original delivery of the Series V-3 Bonds on the date hereof. We have not undertaken to determine, or to inform any person, whether any such actions are taken or omitted or events do occur or any other matters come to our attention after original delivery of the Series V-3 Bonds on the date hereof. Accordingly, this letter speaks only as of its date and is not intended to, and may not, be relied upon or otherwise used in connection with any such actions, events or matters. Our engagement with respect to the Series V-3 Bonds has concluded with their issuance, and we disclaim any obligation to update this letter. We have assumed the genuineness of all documents and signatures provided to us and the due and legal execution and delivery thereof by, and validity against, any parties other than the Authority. We have assumed, without undertaking to verify, the accuracy of the factual matters represented, warranted or certified in the documents, and of the legal conclusions contained in the opinions, referred to in the second and third paragraphs hereof. Furthermore, we have assumed compliance with all covenants and agreements contained in the Indenture, the Loan Agreement and the Tax Agreement, including (without limitation) covenants and agreements compliance with which is necessary to assure that future actions, omissions or events will not cause interest on the Series V-3 Bonds to be included in gross income for federal income tax purposes. We call attention to the fact that the rights and obligations under the Series V-3 Bonds, the Indenture, the Loan Agreement and the Tax Agreement and their enforceability may be subject to bankruptcy, insolvency, receivership, reorganization, arrangement, fraudulent conveyance, moratorium and other laws relating to or affecting creditors' rights, to the application of equitable principles, to the exercise of judicial discretion in appropriate cases and to the limitations on legal remedies against governmental entities such as the Authority in the State of California. We express no opinion with respect to any indemnification, contribution, liquidated damages, penalty (including any remedy deemed to constitute to have the effect of a penalty), right of set-off, arbitration, judicial reference, choice of law, choice of forum, choice of venue, non-exclusivity of remedies, waiver or severability provisions contained in the foregoing documents, nor do we express any opinion with respect to the state or quality of title to or interest in any of the assets described in or as subject to the lien of the Indenture or the Loan Agreement or the accuracy or sufficiency of the description contained therein of, or the remedies available to enforce liens on, any such assets. Our services did not include financial or other non-legal advice. Finally, we undertake no responsibility for the accuracy, completeness or fairness of the Official Statement or other offering material relating to the Series V-3 Bonds and express no opinion or view with respect thereto.

Based on and subject to the foregoing, and in reliance thereon, as of the date hereof, we are of the following opinions:

1. The Series V-3 Bonds constitute the valid and binding limited obligations of the Authority.

2. The Indenture has been duly executed and delivered by, and constitutes the valid and binding obligation of, the Authority. The Indenture creates a valid pledge, to secure the payment of the principal of and interest on the Series V-3 Bonds, of the Series V-3 Revenues and the other assets pledged therefor under the Indenture, subject to the provisions of the Indenture permitting the application thereof for the purposes and on the terms and conditions set forth in the Indenture.

3. The Loan Agreement has been duly executed and delivered by, and constitutes a valid and binding agreement of, the Authority.

4. The Series V-3 Bonds are not a lien or charge upon the funds or property of the Authority except to the extent of the aforementioned pledge. Neither the faith and credit nor the taxing power of the State of California or of any political subdivision thereof is pledged to the payment of the principal of or interest on the Series V-3 Bonds. The Series V-3 Bonds are not a debt of the State of California, and said State is not liable for the payment thereof.

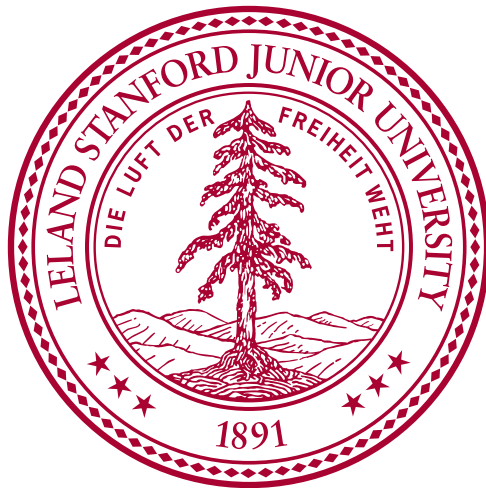
5. Interest on the Series V-3 Bonds is excluded from gross income for federal income tax purposes under Section 103 of the Code and is exempt from State of California personal income taxes. Interest on the Series V-3 Bonds is not a specific preference item for purposes of the federal individual alternative minimum tax. We observe that, for tax years beginning after December 31, 2022, interest on the Series V-3 Bonds included in adjusted financial statement income of certain corporations is not excluded from the federal corporate alternative minimum tax. We express no opinion regarding other tax consequences related to the ownership or disposition of, or the amount, accrual or receipt of interest on, the Series V-3 Bonds.

Faithfully yours,

ORRICK, HERRINGTON & SUTCLIFFE LLP

per

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