Stanford

Annual Financial Report

August 31, 2023 and 2022

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2023 Overview

Throughout the past year, Stanford remained steadfast in fulfilling its core mission of excellence in teaching and education, research, and health care. This mission is realized by educating students for lives of leadership and purposeful contribution; advancing fundamental knowledge and cultivating creativity; and accelerating solutions and amplifying their impact.

This year marked significant leadership transitions at the university, coupled with social, economic, political, and global uncertainties. Amid these transitions and challenges, Stanford's dedicated community continued to achieve mission-critical priorities with diligence, innovation, and collaboration.

This overview provides a summary of some achievements and changes that occurred over this past year that demonstrate the Stanford community's commitment to the mission, underpinned by careful financial stewardship of Stanford's resources.

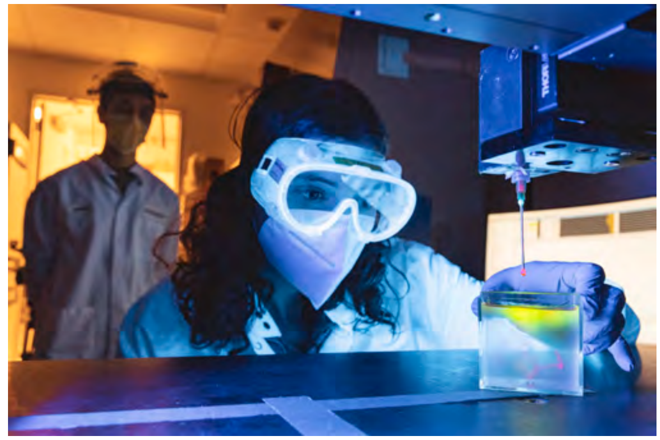
Teaching and Education

The university's academic programs reflect its commitment to civic engagement and the development of global citizens. Now in its second year, the Civic, Liberal, and Global Education (COLLEGE) curriculum, has reimagined the undergraduate experience through a series of events, faculty-led programming, and residential activities that prepare students for their roles as citizens and leaders beyond Stanford.

Stanford has embedded the theme of civic engagement across its teaching programs. The Stanford Accelerator for Learning spurs exploration into brain and learning sciences, data, and technology; and unites across disciplines and partners to bring scalable and equitable solutions to all learners. Over the past year, the program launched new thematic initiatives, including the Education Policy and Systems Change for Good, Adult and Workforce Learning, and Equity in Learning. These projects utilize interactive learning simulations to help teachers in underserved communities educate students of all backgrounds. By partnering with educational institutions, community organizations, and others, these initiatives allow Stanford to help address learning challenges most in need of new discoveries and solutions, and those where Stanford can make an impact.

Research

As the problems facing humanity grow more complex, so does the research required to address them. The university's interdisciplinary approach to research is powered by the talents and contributions of a diverse community of researchers, students, and scholars striving to meet the highest standards of integrity and ethics.



Students run test print on a 3D Bioprinter

Stanford's culture of collaboration drives innovative discoveries across and beyond the Stanford campus through peer partnerships to address world problems. At the SLAC National Accelerator Laboratory, the newly upgraded Linac Coherent Light Source (LCLS-II) X-ray free-electron laser enables breakthrough research capabilities at Stanford and beyond. With up to a million X-ray flashes per second, it transforms the ability of scientists to explore atomic-scale, ultrafast phenomena. This increased capability impacts research across several areas including quantum materials, clean energy technologies and medicine. Beyond Stanford, the research community around the world can leverage LCLS-II technology to advance groundbreaking scientific research.

Stanford Doerr School of Sustainability

The Stanford Doerr School of Sustainability (SDSS), which opened in September 2022, is advancing efforts to address sustainability challenges. SDSS research is focused on a diverse set of energy and climate initiatives, ranging from practical to broad-scale applications. These include the regional health impacts of gas stoves and shifting electric vehicle charging patterns. In the spring of 2023, SDSS named its first focus area, atmospheric greenhouse gas removal, that has the potential for impactful solutions on a global scale. Additional notable initiatives led by the new school include the launch of Discovery and Accelerator grants within the Woods Institute for the Environment and Precourt Institute for Energy to support knowledge-driven fundamental research including both early and later stage projects with demonstrable evidence of potential impact and scalability.

The Stanford School of Medicine (SoM) continues to produce groundbreaking basic science research. Among their work, faculty at the SoM have pioneered optogenetics, which uses light to target brain cells, and bioorthogonal chemistry, which enables study of a living system without disturbing it. In 2022, Karl Deisseroth, MD, PhD, received the Horwitz Prize for his contributions to optogenetics, and Carolyn Bertozzi, PhD, received the Nobel Prize in Chemistry for founding the field of bioorthogonal chemistry.

Professor and Nobel laureate Carolyn Bertozzi with graduate student

Health Care

Stanford Medicine is an integrated academic health system comprised of the SoM, Stanford Health Care (SHC), and Lucile Salter Packard Children's Hospital at Stanford (LPCH[1]). Together, Stanford Medicine utilizes the full potential of biomedicine through collaborative research, education, and clinical care for patients.

Stanford Medicine researchers operate at the intersection of traditionally distinct fields, working to identify solutions to some of the most significant challenges to human health.

Dedicated to one of Stanford's long-standing philanthropists and supporters of Stanford Medicine, the four-story, 68-bed Laurie K. Lacob Pavilion at the Stanford Medicine Cancer Center opened in July 2023 and provides a state-of-the-art, sustainable facility for transplants, cellular therapies, and multidisciplinary patient care. This facility provides physical cooperative space for researchers to conduct innovative studies related to the diagnosis and treatment of cancer, including those that identify early stages of cancer cell development, thereby facilitating earlier diagnosis.

In partnership with the National Institute of Health's Human Biomolecular Atlas Program, which aims to establish a cellular baseline for the human body, scientists from Stanford Medicine have mapped cell types, cell quantity and other cellular nuances of healthy human intestinal and placental tissues.

The interdisciplinary collaboration driving Stanford Medicine's research activities is like the interdisciplinary and multidisciplinary approach Stanford Medicine takes with respect to education. The Stanford Center for Innovation in Global Health (CIGH) creates partnered programs that build capacity both foreign and domestic in underserved, low resource communities, including a partnership with World Health Organization groups to develop new solutions to caring for preterm/low birth weight infants.

When it comes to patient care, this multidisciplinary approach means coordinating expertise with advanced technology to achieve optimal outcomes.

Through programs such as the Precision Health and Integrated Diagnostics Center (PHIND), Stanford advancements in biology and technology are leading to improved understanding of disease risk, early disease detection, and enabling preventative interventions.

In June 2023, Stanford Medicine and the Stanford Institute for Human-Centered Artificial Intelligence (HAI) launched RAISE-Health. The Responsible AI for Safe and Equitable (RAISE) Health initiative seeks to address critical ethical and safety issues surrounding artificial intelligence (AI) innovation and help others navigate the field. Goals of RAISE-Health include enhancing clinical care outcomes through the responsible integration of AI; accelerating research to solve the biggest challenges in health and medicine; and educating patients, care providers and researchers to navigate AI advances.

Graduate students at work in neurosciences Institute

Supporting the Community

Stanford's mission of education, research and health care could not be accomplished without its dedicated community of students, faculty, and staff. Stanford remains committed to addressing the economic challenges that impact its community.

The financial aid program was expanded again this year demonstrating continued efforts to provide an affordable education for all students, regardless of economic circumstances. Beginning in the 2023-24 academic year, undergraduate families with annual incomes below $100,000, and assets typical of that income level, will not have to pay tuition, room, or board. Families with incomes below $150,000, and assets typical of that income level, will continue to receive scholarship support to cover tuition.

Supporting graduate student affordability is also a continued focus with efforts in recent years to expand the availability of housing for graduate students as well as expansion of financial aid. Effective in the 2023-24 academic year, Stanford increased the health insurance subsidy to 100% for graduate students who are supported on research and teaching assistantships, or an equivalent level of fellowship.

[1] Known in the marketplace as Stanford Medicine Children's Health

Two key infrastructure investments this fiscal year increased affordable housing opportunities for Stanford faculty and staff near where they work, teach, and conduct research. In September 2022, Stanford acquired Oak Creek Apartments, a large multifamily residential complex located on university property. In addition, in August 2023, Stanford opened Middle Plaza, a mixed-use development that includes apartment homes, retail, dining, and office space. The property also features a publicly accessible plaza that is designed as a place for the community to gather and interact.

Middle Plaza residential entrance

Under the IDEAL (Inclusion, Diversity, and Equity in a Learning Environment) Initiative, the university is placing focus on removing barriers and creating opportunities. Programs such as Inclusive Talent Acquisition (ITA), which launched in the fall of 2022, is designed to create more inclusive recruiting and hiring. Additionally, the new Institute on Race, of which The Martin Luther King, Jr., Research and Education Institute is an anchor component, is one of the newest programs at Stanford dedicated to researching and teaching about race. This Institute will work with governmental agencies at every level as well as organizations experienced in addressing issues related to race, including schools, community organizations, medical centers, and corporations.

Supporting the Mission - Financial Summary

Stanford, which includes the financial results of the university, SHC, LPCH, and their respective affiliates, ended fiscal year 2023 with a consolidated operating surplus of $290 million, a reduction of 46% as compared to fiscal year 2022. Consolidated revenues increased 8% to $16.3 billion driven by increases in health care revenues, sponsored support, and investment income distributed for operations. These increases reflect growth in patient volumes and associated health care services revenues; increased endowment payout to support operations; and expanded research activities.

Consolidated expenses grew 10% to $16.1 billion outpacing the growth in revenues. Consolidated operating expenses increased with salaries and benefits growing by 10% and other operating expenses by 12%. These increases were due to increases in salary and benefits, operational and research activity and related costs, and inflation that drove higher costs across all expense categories.

The value of the university endowment at the end of fiscal year 2023 was $36.5 billion after distributing $1.7 billion to support current operations, including vital academic programs and financial aid.

In Closing

This year marked continued high levels of inflation, as well as high interest rates, resulting from the Federal Reserve Board's efforts to combat inflation. These and other socioeconomic, climate-related, and geopolitical challenges such as the political landscape, heatwaves, and international disputes have impacted the Stanford community just as they have the rest of the world.

On August 31, 2023, Marc Tessier-Lavigne concluded his seven years of service as Stanford's President and effective October 1, 2023, Persis Drell concluded her service as Stanford's Provost. During their administration, President Tessier-Lavigne, along with Provost Drell, set the university on a course to make meaningful contributions, while transiting a historic pandemic. Through initiatives like the launch of the new Stanford Doerr School of Sustainability, the COLLEGE program, IDEAL, among others, their leadership provided transformative changes that will serve the university for the coming decades and beyond.

Richard Saller, an academic leader, classics scholar, and former Dean of the School of Humanities and Sciences, will serve as Stanford's twelfth President while the search for Stanford's next President is underway. Jenny Martinez, the former Dean of Stanford Law School, assumed the role of Stanford's Provost on October 1, 2023.

Stanford University graduates

In addition to these broader challenges, Stanford is also facing certain significant changes. The university expects to transition from the Pacific-12 Conference to the Atlantic Coast Conference (ACC) effective August 2024 which will continue to provide Stanford student-athletes the opportunity to pursue academic and athletic excellence. In addition, in July 2023, the university's graduate student workers elected to unionize, providing opportunities for the university to engage in different ways with its graduate student community.

As Stanford navigates this period of change, the university has an opportunity to renew its commitment to its core values and to continue fostering discovery, creativity, and excellence across the university and beyond. While these challenges and changes may present a more constrained budgetary environment, the university will continue to focus on expanding access and opportunity, educating students for lives of purpose, and building healthy communities that equip faculty, staff and the broader community to thrive.

Financial Results

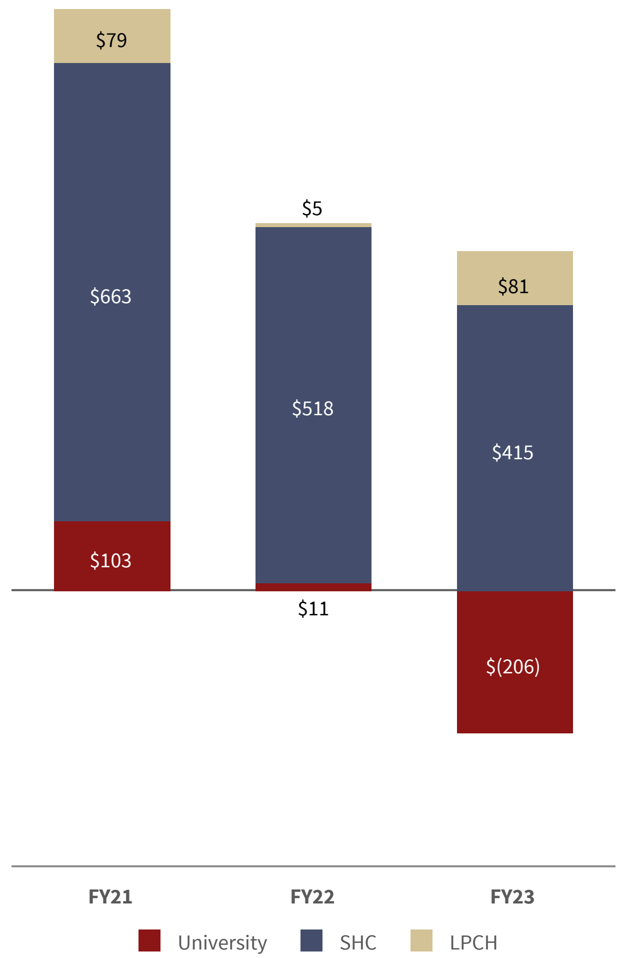
The university, Stanford Health Care (SHC) and Lucile Salter Packard Children's Hospital at Stanford (LPCH[1]), generated a consolidated operating surplus in fiscal year 2023 with operating revenues exceeding expenses by $290 million. This was a 46% decrease in consolidated operating income from fiscal year 2022. This was driven primarily by expenses associated with deliberate investments in the workforce and students to support expanded research activities, provide competitive market-based compensation and other programs to address affordability challenges, including financial aid, and prevalent inflation; as well as an expected reduction in COVID-related relief funding.

On a standalone basis, the university experienced an operating deficit of $206 million in fiscal year 2023 as compared with an $11 million operating surplus in fiscal year 2022. Expenses were driven higher by continued growth in operational activity in support of the university's core mission, coupled with widespread inflation and intentional workforce investments in an increasingly competitive and high cost of living environment.

SHC's operating surplus decreased by $103 million to $415 million in fiscal year 2023. This decrease was primarily driven by a $183 million decline in Coronavirus Aid, Relief, and Economic Stimulus Act (CARES Act) and Federal Emergency Management Agency (FEMA) funding. Excluding combined proceeds from CARES Act and FEMA funding in fiscal year 2023 and fiscal year 2022, SHC's operating surplus increased by $80 million in fiscal year 2023 as compared with fiscal year 2022. The increase is attributed to higher patient volume partially offset by increased operating expenses.

LPCH's operating surplus increased by $76 million to $81 million in fiscal year 2023. In fiscal year 2022, LPCH's operating surplus was significantly impacted by the work stoppage of the Committee for Recognition of Nursing Achievement's (LPCH's nurses labor union), which led to incremental labor expense as a result of backfilling employed nurses with higher cost temporary nurse personnel. This also resulted in a reduction in net patient service revenue as the hospital took immediate action to reduce the daily census to match the limited staffing available. In fiscal year 2023, LPCH's operating revenues increased due to higher patient volumes and additional revenue recognized from the California Hospital Quality Assurance Fee Program, offset by payor mix shifts to Medi-Cal and higher operating expenses.

Operating Surplus/(Deficit) (in millions)



Operating Revenues

Total consolidated operating revenues increased by $1.2 billion or 8% in fiscal year 2023 to $16.3 billion. Health care service revenue increased by $869 million or 9% in fiscal year 2023 to $10.1 billion, and accounted for 62% of total consolidated revenues.

Sponsored support revenues increased by 11% to $2.0 billion in fiscal year 2023 comprising approximately 12% of consolidated revenues. Excluding SLAC National Accelerator Laboratory (SLAC) sponsored support revenues increased by 12% to $1.4 billion, primarily driven by increased support from the U.S. Department of Health and Human Services (DHHS) as further described in the "Research" section below. Investment income distributed for operations increased by 8% to $1.9 billion in fiscal year 2023, comprising approximately 12% of consolidated revenues.

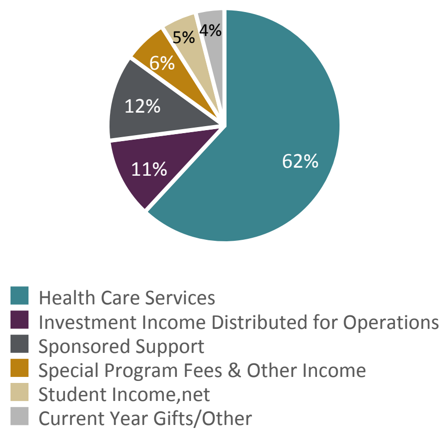
Student Income increased by $45 million or 6% in fiscal year 2023. This increase was driven by increases in tuition and room and board revenues offset by increased student financial aid as further described in the "Teaching and Education" section below.

[1] Known in the marketplace as Stanford Medicine Children's Health

Operating Revenues (continued)

Special program fees and other income decreased by $113 million or 11% in fiscal year 2023. The university experienced an increase in special program fees and other income of $40 million or 7% due to an increase in rental income from university-owned housing for faculty and staff, ticket sales for Stanford Live performing arts events, travel study programs and executive education programs. LPCH experienced an increase in special program fees and other income of $18 million or 18%, resulting from Hospital and Skilled Nursing Facility COVID-19 Worker Retention Payments, funded by the State of California and paid to employees by LPCH, as well as higher joint venture earnings. The university and LPCH increases were offset by a decrease of $154 million or 39% at SHC, resulting from decreased COVID-related relief funding.

Consolidated Operating Revenues | $16.3B



Operating Expenses

Total consolidated operating expenses increased $1.5 billion or 10% to $16.1 billion in fiscal year 2023. The increase is largely attributed to growth in salaries and benefits for employees which make up over 60% of consolidated expenses.

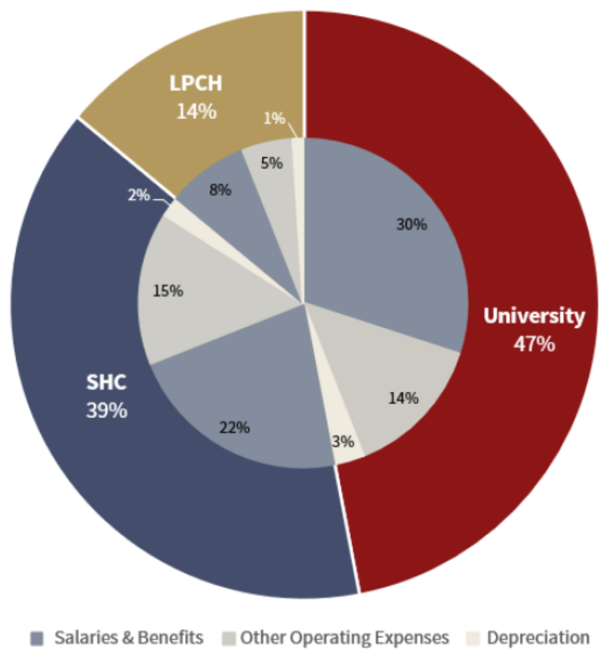
Consolidated salaries and benefits increased by $879 million or 10% in fiscal year 2023 to $9.8 billion. The increase resulted from competitive market-based salary programs, as well as increased employee headcount, especially at the School of Medicine to support research and clinical activities. The university incurred additional expenses in connection with affordability initiatives, including expanded funding for doctoral students and increased subsidies for graduate student health insurance. Both SHC and LPCH experienced increased employee headcount to support growing patient volumes.

Consolidated other operating expenses increased by 12% to $5.4 billion in fiscal year 2023. The university experienced a $292 million increase, resulting from growth in operational and research activities, coupled with widespread inflation. Most notably, expenses rose 65% for travel, 19% increase for professional services, and 14% for materials and supplies due to increases in both volume and inflation.

SHC's other operating expenses increased by $339 million or 10% to $3.6 billion in fiscal year 2023 primarily due to increased volume and cost of supplies and purchased physician services.

LPCH's other operating expenses increased by $97 million or 9% to $1.2 billion in fiscal year 2023 primarily due to increases in purchased physician services, costs of medical, surgical and pharmaceutical supplies, the California Hospital Quality Assurance Fee expenses and additional patient care expenses related to the increased patient volume.

Consolidated Operating Expenses: $16.1B



Health Care

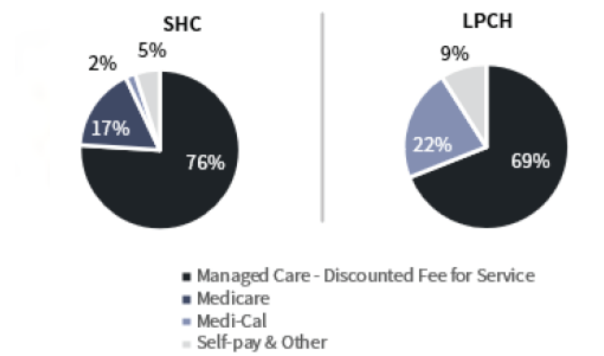
Stanford Medicine, comprised of the university's School of Medicine (SoM), SHC and LPCH is an integrated academic health system that combines the research capabilities of the university with SHC's and LPCH's network of care facilities for adults and children, respectively.

The university's health care services revenue increased by $139 million or 9% to $1.6 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 through each entity's purchase of physician services from the university. The growth in the university's health care services revenue was driven by patient care needs and growth in the hospitals' clinical programs.

SHC's net patient service revenue increased by $599 million or 9% in fiscal year 2023 to $7.5 billion, due to growth in patient volume. Patient day volume increased by 10%, total surgical cases increased by 8%, primarily due to increased outpatient surgeries, and emergency department volume increased by 11% over the prior year. Inpatient and outpatient volumes--which represented 40% and 60% of net patient revenues, respectively--increased in multiple areas, including cancer, cardiovascular, pharmacy, imaging and lab services.

LPCH's net patient service revenue increased by $277 million or 12% in fiscal year 2023 to $2.5 billion. The increase largely occurred in areas of planned strategic growth, including the Bass Center for Childhood Cancer and Blood Diseases, the Betty Irene Moore Heart Center, cystic fibrosis and pulmonary diseases, and general pediatrics service lines. LPCH also received additional revenue from the California Hospital Quality Assurance Fee Program.

Net Patient Service Revenue



Research

In fiscal year 2023, total university sponsored support from federal and non-federal sources increased by $179 million compared to fiscal year 2022. The majority of the university's sponsored support, including SLAC, is received from the federal government with the DHHS and U.S. Department of Energy (DOE) the two largest federal sponsors.

Most of the support for SLAC is provided by DOE. SLAC's total sponsored funding increased by $47 million or 9% in fiscal year 2023 mainly due to completion and operationalization of the Large Synoptic Survey Telescope and Linac Coherent Light Source II projects.

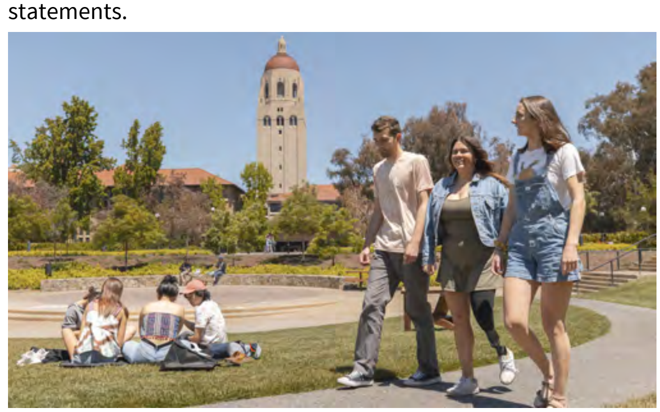
Excluding SLAC, the university's sponsored support revenue increased by $132 million or 10% with the largest portion of the increase attributable to support from DHHS for the School of Medicine.

Philanthropy | Gifts & Pledges

The majority of gifts and pledges at Stanford are restricted by donors for specific purposes such as student financial aid, academic programs that support teaching and research, and new facilities for research and clinical care. The university recorded total net gifts and pledges of approximately $1.8 billion in fiscal year 2023, with $269 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 are recorded in the consolidated financial statements, on an accrual basis in accordance with Generally Accepted Accounting Principles (GAAP),thereby excluding payments received for prior year pledges.

Total gifts, including pledged payments received, reported by the Office of Development were $1.5 billion in fiscal year 2023, reflecting contributions received in cash or property and including $17 million for SHC and $99 million for LPCH.

In fiscal year 2022, John and Ann Doerr pledged $1.1 billion to support the new Stanford Doerr School of Sustainability (SDSS) and $99.6 million of the gift was recorded. In fiscal year 2023, with the completion of key milestones to establish the school, the remaining $1 billion was recorded in the financial statements.



Stanford students on campus

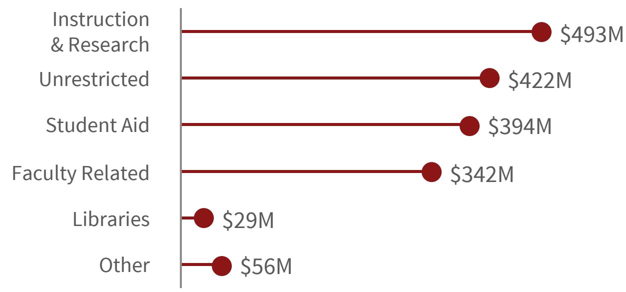
Investment Income Distributed for Operations

University investment income distributed for operations was $1.9 billion of which $1.7 billion was distributed from the university's endowment and the remaining $142 million from the expendable funds pools and other investment income.

The Board of Trustees is responsible for approving endowment payouts, balancing the current and future needs of the university. Through a combination of investment strategy and payout policy, the university strives to dispense reasonably consistent amounts on a monthly basis to provide ongoing support to the university. Payout from the university's endowment funded nearly 23% of its 2023 operating expenses.

The endowment value at the end of fiscal year 2023 was $36.5 billion, an increase of 0.4% from fiscal year 2022.

University Endowment Payout by Purpose



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

Teaching & Education

Professor of Physics, Risa Wechsler, with students

Student income, which includes tuition and room and board revenues offset by student financial aid, increased by 6% or $45 million to $761 million. Tuition revenue increased by $52 million, resulting from increased undergraduate and graduate enrollment combined with an increase in tuition rates. Additionally, room and board revenue increased by $17 million, resulting from increased rates and higher residence occupancy.

One of the university's highest priorities is to remain affordable and accessible to all admitted students regardless of financial circumstances. In fiscal year 2023, nearly 50% of undergraduate students were awarded need-based financial aid, while over 80% of graduate students received financial support of some kind.

Student financial aid increased by $24 million to $425 million, in line with the increase in tuition and room and board rates, and the increase in enrollment. In addition, under the university's expanded financial aid programs, the average aid per recipient increased as compared to the prior fiscal year. The university also provides support in the form of stipends (included in other operating expenses), teaching and research assistantships and related allowances for tuition (included in salaries and benefits expense), totaling $410 million in fiscal year 2023.

Sources for the total $835 million of student financial aid and graduate support included approximately $377 million in payout from endowment funds and expendable gifts restricted for student aid, $326 million from unrestricted university funds and $132 million from grants and contracts.

Statements of Financial Position

In fiscal year 2023, total consolidated assets rose by $2.0 billion to $77.1 billion while total consolidated liabilities increased by $432 million to $16.0 billion.

Stanford Meyer Green

University Investments

As of August 31, 2023, university's investments totaled $46.9 billion, an increase of $382 million from the prior fiscal year. The increase was driven by investment returns and the addition of investment capital, offset by income distributed for operations.

The majority of the university's investments, $36.7 billion, are 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, and create consistent monthly payouts to support the university's operations.

In addition, $7.5 billion of the university's investments are 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, and retail properties. In fiscal year 2023, the real estate portfolio's value decreased by $224 million compared to fiscal year 2022 due to higher interest rates and decreased demand for commercial real estate, resulting in higher turnover rates, lower rents, and increased tenant improvement expenses.

Capital Projects

Stanford continues to make investments in its physical facilities with consolidated spending of over $1 billion in fiscal year 2023. These investments supported Stanford's mission of teaching and education, research, and health care, by continuing to replace and renovate aging facilities and by providing additional access to housing for the university community. Significant projects completed in fiscal year 2023 include Stanford Middle Plaza (faculty and staff housing) in Menlo Park, as well as renovations to Stanford Research Park buildings to house expanding SoM programs. In addition, the university acquired Oak Creek Apartments, a multifamily residential complex located on university property, to further expand housing for postdoctoral scholars, students, faculty and staff.

As of the end of fiscal year 2023, significant projects underway include the Data Science and Computation Complex, and a new building for Land, Buildings & Real Estate (LBRE).

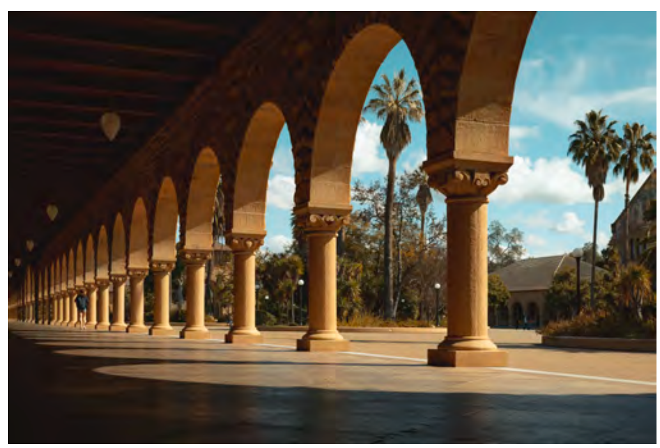
Both SHC and LPCH also continue to make investments in facilities and systems needed to provide care to the communities they serve in a manner consistent with current practice. In fiscal year 2023, the majority of SHC's and LPCH's spending was for hospital renovations, new clinic buildings, enterprise resource planning system transition, and information technology infrastructure enhancements.

Debt

During fiscal year 2023, total debt increased by $280 million to $8.6 billion.

The California Educational Facilities Authority issued, on behalf of the university, tax-exempt Series V-3 bonds in the amount of $241.5 million plus an original issue premium of $58.5 million, maturing on June 1, 2033. The series has a coupon rate of 5.00% and has a yield of 2.28% and will be used to finance or refinance certain capital projects of the university. Additionally, at fiscal year-end the university had $68 million drawn on commercial paper facilities and $4 million on revolving lines of credit. 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).

Neither SHC nor LPCH issued new debt in fiscal year 2023, however, their respective ratings were affirmed by Moody's, S&P and Fitch.



Stanford University campus

SELECTED FINANCIAL AND OTHER DATA

Fiscal Years Ended August 31

	2023	2022	2021	2020	2019
	(dollars in millions)				
CONSOLIDATED STATEMENTS OF ACTIVITIES HIGHLIGHTS:					
Total operating revenues	$ 16,343	$15,132	$13,939	$12,455	$12,262
Student income	761	715	508	610	653
Sponsored support	2,013	1,812	1,681	1,622	1,683
Health care services	10,101	9,232	8,302	7,137	7,051
Investment income distributed for operations	1,894	1,752	1,751	1,661	1,583
Total operating expenses	16,053	14,597	13,094	12,348	11,639
Change in net assets from operating activities	290	535	845	107	623
Other changes in net assets	1,320	(434)	11,377	1,877	1,338
Net change in total net assets	$ 1,610	$ 101	$12,222	$ 1,984	$ 1,961
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION HIGHLIGHTS:					
Investments at fair value	$ 52,826	$52,180	$54,040	$40,929	$38,819
Plant facilities, net of accumulated depreciation	14,184	13,377	13,079	13,173	12,863
Notes and bonds payable	8,551	8,271	8,383	8,226	7,075
Total assets	77,126	75,084	75,144	62,970	57,803
Total liabilities	16,020	15,588	15,749	15,797	12,614
Total net assets	61,106	59,496	59,394	47,173	45,189
UNIVERSITY STATEMENTS OF FINANCIAL POSITION HIGHLIGHTS:					
Investments at fair value	$ 46,856	$46,474	$48,001	$37,575	$35,292
Plant facilities, net of accumulated depreciation	8,559	7,904	7,683	7,686	7,270
Notes and bonds payable	5,470	5,154	5,144	5,004	4,247
Total assets	61,811	60,498	60,495	49,934	46,370
Total liabilities	10,573	10,091	9,879	9,628	7,869
Total net assets	51,238	50,407	50,616	40,306	38,501
FINANCIAL DATA AND METRICS:					
University endowment at year-end	$ 36,495	$36,339	$37,788	$28,948	$27,700
University endowment payout in support of operations	1,736	1,466	1,330	1,355	1,303
As a % of beginning of year University endowment	4.8 %	3.9 %	4.6 %	4.9 %	4.9 %
As a % of University total expenses	22.7 %	21.4 %	21.5 %	22.3 %	21.8 %
Total gifts as reported by the Office of Development (A)	1,531	1,624	1,393	1,363	1,112
STUDENTS:					
ENROLLMENT: (B)					
Undergraduate	7,841	7,761	7,645	6,366	6,994
Graduate	9,688	9,565	9,292	8,791	9,390
DEGREES CONFERRED:					
Bachelor degrees	1,654	1,699	1,511	1,771	1,893
Advanced degrees	3,583	3,533	3,310	3,422	3,433
FACULTY:					
Total Professoriate (B)	2,323	2,304	2,288	2,279	2,276
ANNUAL UNDERGRADUATE TUITION RATE (IN DOLLARS)	$ 57,693	$55,473	$55,473	$52,857	$50,703

(A) Includes University, SHC and LPCH gifts.

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

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, 2023 and 2022, and the related consolidated statements of activities and of cash flows for the years then ended, including the related notes (collectively referred to as the "consolidated financial statements").

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of Stanford as of August 31, 2023 and 2022, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (US GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of 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

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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, 2023 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, 2023

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

At August 31, 2023 and 2022 (in thousands of dollars)

	2023	2022
ASSETS		
Cash and cash equivalents	$ 1,738,944	$ 2,285,765
Accounts receivable, net	2,176,591	2,007,638
Prepaid expenses and other assets	566,158	506,861
Pledges receivable, net	2,781,116	2,201,736
Student loans receivable, net	37,527	37,524
Faculty and staff mortgages and other loans receivable, net	1,098,851	997,576
Assets limited as to use	651,980	450,390
Investments at fair value	52,826,274	52,180,412
Right-of-use assets	1,064,424	1,038,384
Plant facilities, net of accumulated depreciation	14,184,041	13,377,434
Works of art and special collections	—	—
TOTAL ASSETS	**$ 77,125,906**	**$ 75,083,720**
LIABILITIES AND NET ASSETS		
LIABILITIES:		
Accounts payable and accrued expenses	$ 2,855,495	$ 2,805,757
Liabilities associated with investments	878,955	863,746
Lease liabilities	1,133,933	1,093,986
Deferred income and other obligations	2,018,011	1,991,260
Accrued pension and postretirement benefit obligations	582,483	562,496
Notes and bonds payable	8,551,143	8,271,006
TOTAL LIABILITIES	**16,020,020**	**15,588,251**
NET ASSETS:		
Without donor restrictions	36,083,147	35,519,294
With donor restrictions	25,022,739	23,976,175
TOTAL NET ASSETS	**61,105,886**	**59,495,469**
TOTAL LIABILITIES AND NET ASSETS	**$ 77,125,906**	**$ 75,083,720**

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

CONSOLIDATED STATEMENTS OF ACTIVITIES

For the years ended August 31, 2023 and 2022 (in thousands of dollars)

	2023	2022
NET ASSETS WITHOUT DONOR RESTRICTIONS		
OPERATING REVENUES:		
TOTAL STUDENT INCOME, NET	**$ 760,534**	**$ 715,465**
Sponsored support:		
Direct costs - University	1,094,064	971,253
Direct costs - SLAC National Accelerator Laboratory	571,654	524,943
Indirect costs	347,576	315,562
TOTAL SPONSORED SUPPORT	**2,013,294**	**1,811,758**
TOTAL HEALTH CARE SERVICES, primarily net patient service revenue	**10,100,570**	**9,232,029**
TOTAL CURRENT YEAR GIFTS IN SUPPORT OF OPERATIONS	**275,630**	**278,501**
Net assets released from restrictions:		
Payments received on pledges	226,717	224,177
Prior year gifts released from donor restrictions	148,404	81,402
TOTAL NET ASSETS RELEASED FROM RESTRICTIONS	**375,121**	**305,579**
Investment income distributed for operations:		
Endowment	1,749,583	1,475,411
Expendable funds pools and other investment income	144,784	276,740
TOTAL INVESTMENT INCOME DISTRIBUTED FOR OPERATIONS	**1,894,367**	**1,752,151**
TOTAL SPECIAL PROGRAM FEES AND OTHER INCOME	**923,811**	**1,036,678**
TOTAL OPERATING REVENUES	**16,343,327**	**15,132,161**
OPERATING EXPENSES:		
Salaries and benefits	9,761,082	8,881,869
Depreciation	853,821	851,818
Other operating expenses	5,438,459	4,863,755
TOTAL OPERATING EXPENSES	**16,053,362**	**14,597,442**
CHANGE IN NET ASSETS FROM OPERATING ACTIVITIES	**$ 289,965**	**$ 534,719**

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

CONSOLIDATED STATEMENTS OF ACTIVITIES, Continued

For the years ended August 31, 2023 and 2022 (in thousands of dollars)

	2023	2022
NET ASSETS WITHOUT DONOR RESTRICTIONS (continued)		
CHANGE IN NET ASSETS FROM OPERATING ACTIVITIES	**$ 289,965**	**$ 534,719**
NON-OPERATING ACTIVITIES:		
Increase (decrease) in reinvested gains	268,816	(743,938)
Donor advised funds, net	(41,846)	34,611
Current year gifts not included in operations	822	5,053
Capital and other gifts released from restrictions	48,799	71,100
Pension and other postemployment benefit related changes other than service cost	(9,096)	89,504
Transfer to net assets with donor restrictions, net	(57,781)	(70,233)
Swap interest and change in value of swap agreements	63,609	138,866
Other	565	7,288
NET CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTIONS	**563,853**	**66,970**
NET ASSETS WITH DONOR RESTRICTIONS		
Gifts and pledges, net	1,636,548	1,679,138
Decrease in reinvested gains	(229,519)	(1,255,771)
Change in value of split-interest agreements, net	31,158	(63,311)
Net assets released to operations	(397,520)	(321,244)
Capital and other gifts released to net assets without donor restrictions	(48,799)	(71,100)
Transfer from net assets without donor restrictions, net	57,781	70,233
Other	(3,085)	(3,904)
NET CHANGE IN NET ASSETS WITH DONOR RESTRICTIONS	**1,046,564**	**34,041**
NET CHANGE IN TOTAL NET ASSETS	**1,610,417**	**101,011**
Total net assets, beginning of year	59,495,469	59,394,458
TOTAL NET ASSETS, END OF YEAR	**$61,105,886**	**$59,495,469**

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the years ended August 31, 2023 and 2022 (in thousands of dollars)

	2023	2022
CASH FLOW FROM OPERATING ACTIVITIES		
Change in net assets	$ 1,610,417	$ 101,011
Adjustments to reconcile change in net assets to net cash provided by (used for) operating activities:		
Depreciation	853,821	852,123
Amortization of bond premiums, discounts and other	18,317	28,637
Net losses (gains) on investments	(1,420,202)	884,229
Change in fair value of interest rate swaps	(68,761)	(161,455)
Change in split-interest agreements	15,999	(28,173)
Change in deferred tax asset and liability	5,873	(23,182)
Investment expense for restricted purposes	(22,919)	(48,573)
Gifts restricted for long-term investments	(1,007,624)	(723,823)
Gifts of securities and properties	(5,423)	(22,698)
Other	88,583	20,681
Premiums received from bond issuance	58,451	—
Changes in operating assets and liabilities:		
Accounts receivable	(172,667)	(239,528)
Pledges receivable, net	(120,354)	(345,886)
Prepaid expenses and other assets	(76,402)	(88,117)
Accounts payable and accrued expenses	85,535	213,018
Accrued pension and postretirement benefit obligations	19,987	(67,355)
Lease liabilities	46,411	(43,160)
Deferred income and other obligations	11,053	(33,402)
NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES	**(79,905)**	**274,347**
CASH FLOW FROM INVESTING ACTIVITIES		
Additions to plant facilities, net	(1,621,683)	(925,020)
Faculty, student and other loans: new loans made	(157,369)	(179,502)
Faculty, student and other loans: principal collected	63,341	77,313
Purchases of investments	(15,391,722)	(17,466,423)
Sales and maturities of investments	16,186,356	18,336,816
Change associated with short term investments	(130,304)	111,202
Swap settlement payments, net	(5,095)	(19,811)
NET CASH USED FOR INVESTING ACTIVITIES	**(1,056,476)**	**(65,425)**
CASH FLOW FROM FINANCING ACTIVITIES		
Gifts and reinvested income for long-term purposes	563,640	595,107
Proceeds from borrowing	768,114	268,547
Repayment of notes and bonds payable	(592,440)	(263,377)
Contributions received for split-interest agreements	9,791	20,402
Payments made under split-interest agreements	(57,454)	(58,334)
Commercial paper and variable rate debt proceeds (repayments), net	(12,299)	—
Securities lending collateral sold, net	(2,151)	(7,696)
Other	(13,500)	(9,401)
NET CASH PROVIDED BY FINANCING ACTIVITIES	**663,701**	**545,248**
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**(472,680)**	**754,170**
Cash and cash equivalents, beginning of year	2,619,895	1,865,725
CASH AND CASH EQUIVALENTS, END OF YEAR	**$ 2,147,215**	**$ 2,619,895**
SUPPLEMENTAL DATA:		
Cash and cash equivalents as shown in the *Statements of Financial Position*	$ 1,738,944	$ 2,285,760
Restricted cash and cash equivalents included in assets limited as to use	269,202	134,410
Restricted cash included in other assets	16,725	20,530
Cash and restricted cash included in investments	122,344	179,195
TOTAL CASH AND CASH EQUIVALENTS AS SHOWN ON THE STATEMENTS OF CASH FLOWS	**$ 2,147,215**	**$ 2,619,895**
Interest paid, net of capitalized interest	$ 300,243	$ 286,217
Change in payables for plant facilities	$ 49,228	$ 25,300
Right-of-use assets obtained in exchange for lease liabilities	$ 178,329	$ 172,836

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". LPCH and its controlled entities comprise and are known in the marketplace as Stanford Medicine Children's Health. 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, 2019.

BASIS OF ACCOUNTING

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

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

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

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

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

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

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

CASH AND CASH EQUIVALENTS

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

ASSETS LIMITED AS TO USE

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

Deferred compensation plan assets

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

Tax-exempt bond proceeds

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

ACCOUNTS AND LOANS RECEIVABLE

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

PREPAID EXPENSES

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

PLEDGES RECEIVABLE

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

INVESTMENTS

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

PLANT FACILITIES

Plant facilities are recorded at cost or, for donated assets, at fair value at the date of donation, except for land and improvements previously reported as "Investments" and reclassified as "Plant facilities". Such land and improvements are reported at fair value as of the date of reclassification (see *Note 8*) in accordance with interpreted accounting guidance. Interest expense for construction financing, net of income earned on unspent proceeds, is capitalized as a cost of construction. Depreciation is computed using the straight-line method over the estimated useful lives of the assets. The useful lives used in calculating depreciation for the years ended August 31, 2023 and 2022 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, 2023 and 2022, $703.7 million and $733.1 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 at both August 31, 2023 and 2022, and were recorded in specific investment categories. The assets held under split-interest agreements, where LPCH is the trustee, were $11.4 million and $12.8 million at August 31, 2023 and 2022, 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*, and were $632.7 million and $662.6 million at August 31, 2023 and 2022, respectively, and were classified as Level 2 in the Fair Value Hierarchy (see *Note 6*). At August 31, 2023 and 2022, the University used discount rates of 5.0% and 3.8%, respectively, based on the Charitable Federal Midterm Rate. The LPCH discount rate used during the years ended August 31, 2023 and 2022 was 5.0% and 3.3%, respectively, determined using Charitable Federal Midterm Rate for fiscal year 2023 and the Treasury bill rate for fiscal year 2022.

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 2023 and 2022, the discounted present value of new University gifts subject to split-interest agreements, net of any income beneficiary share, was $6.4 million and $17.2 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, 2023 and 2022, deferred rental income was $898.1 million and $919.3 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 $382.8 million and $316.0 million as of August 31, 2023 and 2022, 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, 2023 and 2022, Stanford has recognized a net repurchase obligation of $158.0 million and $142.3 million, respectively, to repurchase its interests in these residential units, net of home mortgage financing assistance provided by the University of $233.9 million and $222.8 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, 2023 and 2022, interest accretion was $16.3 million and $13.3 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, 2023 and 2022, the University had asset retirement obligations of $11.7 million and $17.2 million, respectively. SHC had asset retirement obligations of $114.4 million and $111.3 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 general and cyber liability risks, postretirement medical benefits, health care plans, workers' compensation and, through their captive insurance company, for professional liability losses. In some cases, third-party insurance is purchased to cover liabilities in excess of self-insured retentions. Estimates of retained self-insured losses are reserved and accrued.

INTEREST RATE EXCHANGE AGREEMENTS

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

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

REVENUE

Student income and financial aid

"Student income, net" reported in the *Consolidated Statements of Activities* consists of tuition, room and board, and other student fees from undergraduate and graduate students which are recognized as revenue ratably during the fiscal year in which the academic services are rendered. The University also provides financial aid in the form of scholarship and fellowship grants that cover a portion of tuition, room and board, and other student fees; this financial assistance is reflected as a reduction of student income. Student payments are due at the beginning of each academic term. Payments received for future academic terms are recorded as deferred income and totaled $32.7 million and $13.9 million for the years ended August 31, 2023 and 2022, 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:

	2023	2022
Student income:		
Undergraduate programs	$ 469,415	$ 445,406
Graduate programs	431,993	404,204
Room and board	284,542	267,386
Student financial aid	(425,416)	(401,531)
TOTAL STUDENT INCOME, NET	**$ 760,534**	**$ 715,465**

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, 2023 and 2022, federal sponsored support was $1.6 billion and $1.4 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 the years ended August 31, 2023 and 2022 was $1.3 billion and $1.1 billion, respectively.

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, 2023 and 2022, the University recognized $147.5 million and $144.6 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 $571.7 million and $524.9 million was recognized for the years ended August 31, 2023 and 2022, respectively.

Deferred income of $222.6 million and $209.1 million was recorded at August 31, 2023 and 2022, respectively, for payments received from sponsors that have not been earned. During the years ended August 31, 2023 and 2022, $153.7 million and $126.0 million of revenue was recognized that was included in the prior year deferred income balance, respectively. In addition, as of August 31, 2023 and 2022, the University had been awarded $1.4 billion and $1.3 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, 2023 and 2022, other income includes $0 and $205.0 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.

Reference rate reform

ASU 2020-04, 2021-01, and 2022-06, FASB Issue Date: March 2020, January 2021, December 2022, Effective Date: All contracts as of March 12, 2020 through December 31, 2024

ASC 2020-04 and 2021-01 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.

ASU 2022-06 extends the effective date of ASC 848 from December 31, 2022 to December 31, 2024. In fiscal year 2023, Stanford transitioned away from using LIBOR rates and elected to not treat transitions as loan modifications.

Discount rate guidance for lessees that are not public business entities (Amendments to ASC 842)

ASU 2021-09, FASB Issue Date: November 2021, Effective Date: Fiscal Year 2023

This ASU allows a lessee that is a not-for-profit entity or not a public business entity the option to elect a risk-free discount rate by class of underlying asset rather than for all leases at the entity-wide level. Stanford opted not to implement this accounting policy election.

Lessors' accounting for certain leases with variable lease payments
ASU 2021-05, FASB Issue Date: July 2021, Effective Date: Fiscal Year 2023
This ASU amends ASC 842 so that lessors are no longer required to recognize a selling loss upon commencement of a lease with variable lease payments that, prior to the amendments, would have been classified as a sales-type lease or direct financing lease. This new guidance was adopted in fiscal year 2023 and did not have any impact on the *Consolidated Financial Statements*.

Equity method investments
ASU 2020-01, FASB Issue Date: January 2020, Effective Date: Fiscal Year 2023
This ASU clarifies the accounting treatment of certain equity securities upon application or discontinuation of the equity method of accounting and clarifies accounting of forward contracts and purchased options for securities that will be accounted for under the equity method of accounting upon settlement or exercise. The new guidance was adopted in fiscal year 2023 and it did not have any impact on the *Consolidated Financial Statements*.

2. Financial Assets and Liquid Resources

OVERVIEW

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

OPERATIONS

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

MERGED POOL

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

Financial assets and liquid resources available within one year of the balance sheet date at August 31, 2023 and 2022, in thousands of dollars, are as follows:

	UNIVERSITY	SHC	LPCH	CONSOLIDATED
2023				
Financial assets:				
Cash and cash equivalents	$ 745,015	$ 611,592	$ 382,337	$ 1,738,944
Assets limited as to use available for current use	193,732	—	—	193,732
Accounts receivable, net	270,383	1,042,786	695,849	2,009,018
Pledges receivable available for operations	288,527	—	31,942	320,469
Investments available for current use	496,267	2,163,730	698,875	3,358,872
Endowment payout in support of operations	1,809,400	—	83,878	1,893,278
Financial assets available to meet cash needs for general expenditure within one year	3,803,324	3,818,108	1,892,881	9,514,313
Liquid resources available for use:				
Taxable commercial paper	439,544	150,000	—	589,544
Tax-exempt commercial paper	292,700	—	—	292,700
Revolving credit facilities	421,114	100,000	200,000	721,114
TOTAL FINANCIAL ASSETS AND LIQUID RESOURCES AVAILABLE WITHIN ONE YEAR	**$ 4,956,682**	**$ 4,068,108**	**$ 2,092,881**	**$ 11,117,671**
2022				
Financial assets:				
Cash and cash equivalents	$ 1,355,180	$ 536,803	$ 393,777	$ 2,285,760
Assets limited as to use available for current 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	—	51,156	344,820
Investments available for current use	458,637	1,408,067	677,928	2,544,632
Endowment payout in support of operations	1,748,400	—	76,963	1,825,363
Financial assets available to meet cash needs for general expenditure within one year	4,207,366	2,968,438	1,799,411	8,975,215
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**	**$ 1,999,411**	**$ 10,470,160**

3. Accounts Receivable

Accounts receivable, net of allowances for doubtful accounts, at August 31, 2023 and 2022, in thousands of dollars, are as follows:

	UNIVERSITY	SHC	LPCH	CONSOLIDATED
2023				
U.S. government sponsors	$ 137,320	$ 33,750	$ 2,573	$ 173,643
Non-federal sponsors and programs	66,916	3,974	—	70,890
Accrued interest on investments	25,286	—	—	25,286
Student	15,034	—	—	15,034
Patient and third-party payers	—	1,042,786	682,349	1,725,135
Other	60,405	103,797	10,927	175,129
	304,961	1,184,307	695,849	2,185,117
Less allowance for doubtful accounts	(8,526)	—	—	(8,526)
ACCOUNTS RECEIVABLE, NET	**$ 296,435**	**$ 1,184,307**	**$ 695,849**	**$ 2,176,591**
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**

4. Pledges Receivable

Pledges are recorded at discounted rates ranging from 0.6% to 5.7%. At August 31, 2023 and 2022, pledges receivable, net of discounts and allowances, in thousands of dollars, are as follows:

	UNIVERSITY	SHC	LPCH	ELIMINATIONS	CONSOLIDATED
2023					
One year or less	$ 611,158	$ 19,883	$ 61,434	$ (57,964)	$ 634,511
Between one year and five years	1,713,800	29,352	98,459	(10,895)	1,830,716
More than five years	619,837	1,250	25,014	—	646,101
	2,944,795	50,485	184,907	(68,859)	3,111,328
Less discounts and allowances	(313,839)	(5,303)	(11,070)	—	(330,212)
PLEDGES RECEIVABLE, NET	**$ 2,630,956**	**$ 45,182**	**$ 173,837**	**$ (68,859)**	**$ 2,781,116**
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**

During fiscal year 2022, John and Ann Doerr pledged $1.1 billion to support the new Stanford Doerr School of Sustainability. The gift was recorded in the financial statements as milestones in establishing the school were completed. In fiscal year 2023 and 2022, $1.0 billion and $99.6 million of the gift was recorded, respectively. The University had total conditional pledges of $16.3 million and $1.0 billion at August 31, 2023 and 2022, respectively, which are subject to specified future events. SHC and LPCH had no conditional pledges at August 31, 2023 and 2022.

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, 2023 and 2022 the University held $68.9 million and $73.0 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, 2023 and 2022, in thousands of dollars, are as follows:

	2023	2022
Institutional loans	$ 31,405	$ 29,774
Federally-sponsored loans	7,718	9,459
	39,123	39,233
Less allowance for student loan losses	(1,596)	(1,709)
STUDENT LOANS RECEIVABLE, NET	**$ 37,527**	**$ 37,524**

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.

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 $1.1 billion and $969.3 million at August 31, 2023 and 2022, 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. For the years ended August 31, 2023 and 2022 SHC mortgage loans receivable were $9.5 million and $8.9 million, respectively, and LPCH mortgage loans receivable were $4.5 million and $4.6 million, respectively.

The August 31, 2023 and 2022 amounts are net of the University's recorded obligation to repurchase certain residential units sold under long-term restricted ground leases of $233.9 million and $222.8 million, respectively. See the *Repurchase Obligations* section of *Note 1*.

6. Investments

Investments are measured and recorded at fair value. The valuation methodology, investment categories, fair value hierarchy, certain investment activities and related commitments for fiscal years 2023 and 2022 are presented below. Investments held by Stanford at August 31, 2023 and 2022, in thousands of dollars, are as follows:

	UNIVERSITY	SHC	LPCH	ELIMINATIONS	CONSOLIDATED
2023					
Investment assets:					
Cash and short-term investments	$ 1,082,013	$ 55,905	$ 4,160	$ —	$ 1,142,078
Public equities	9,843,988	1,206,842	58,091	—	11,108,921
Derivatives	5,936	—	—	—	5,936
Fixed income	3,087,938	777,229	103,764	—	3,968,931
Real estate	9,954,369	—	5,887	—	9,960,256
Natural resources	1,369,379	—	6,931	—	1,376,310
Private equities	16,896,296	—	37,629	—	16,933,925
Absolute return	7,064,050	—	23,406	—	7,087,456
Assets held by other trustees	123,659	—	17,153	—	140,812
Other	1,073,699	27,950	—	—	1,101,649
Total	50,501,327	2,067,926	257,021	—	52,826,274
Hospitals' funds invested in the University's investment pools	(3,645,241)	2,580,599	1,056,898	7,744	—
INVESTMENTS AT FAIR VALUE	**$46,856,086**	**$ 4,648,525**	**$ 1,313,919**	**$ 7,744**	**$ 52,826,274**

	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**

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, 2023 and 2022, respectively. These investments are generally less liquid than other investments, and the value reported may differ from the values that would have been reported had a ready market for these investments existed.

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

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

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

INVESTMENT CATEGORIES

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

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

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

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

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

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

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

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

Private equities are investments primarily in venture capital, growth equity, and leveraged buyout strategies. Distributions from these investments are received in the form of either cash or distributed shares, which are typically valued using quoted market prices. The fair value of alternative investments is based on the NAV reported by the external investment managers and is adjusted as described in the *Valuation Methodology* section above.

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

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

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

LIABILITIES ASSOCIATED WITH INVESTMENTS

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

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

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

Under the securities lending agreement, securities loaned are primarily public equities, corporate bonds or U.S. Treasury bills and the agreement continues until the security is delivered back to the University.

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

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

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

FAIR VALUE HIERARCHY

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

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

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

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

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

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

The following tables summarize Stanford's investment assets and liabilities within the fair value hierarchy and asset categories at August 31, 2023 and 2022, in thousands of dollars:

	LEVEL 1	LEVEL 2	LEVEL 3	TOTAL
2023				
Investment assets:				
Cash and short-term investments	$ 174,863	$ 959,966	$ —	$ 1,134,829
Public equities	3,618,065	5,034	—	3,623,099
Derivatives	—	5,936	—	5,936
Fixed income	562,576	3,399,733	—	3,962,309
Real estate	210,227	—	7,490,481	7,700,708
Natural resources	5,268	—	57,260	62,528
Private equities	66,075	—	1,731	67,806
Absolute return	—	—	23,736	23,736
Assets held by other trustees	—	—	140,812	140,812
Other	14,346	5,438	1,069,494	1,089,278
INVESTMENTS SUBJECT TO FAIR VALUE LEVELING	**$ 4,651,420**	**$ 4,376,107**	**$ 8,783,514**	**17,811,041**
Investments measured using Net Asset Value[1]				35,015,233
TOTAL CONSOLIDATED INVESTMENT ASSETS				**$ 52,826,274**

	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**

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

SUMMARY OF LEVEL 3 INVESTMENT ACTIVITIES AND TRANSFERS

The following tables present the activities for Level 3 investments for the years ended August 31, 2023 and 2022, in thousands of dollars:

FAIR VALUE MEASUREMENTS USING SIGNIFICANT UNOBSERVABLE INPUTS (LEVEL 3)	BEGINNING BALANCE AS OF SEPTEMBER 1, 2022	PURCHASES AND ADDITIONS	SALES AND MATURITIES	NET REALIZED AND UNREALIZED GAINS (LOSSES)	TRANSFERS IN*	TRANSFERS OUT*	ENDING BALANCE AS OF AUGUST 31, 2023
Real estate	$ 7,721,395	$ 22,143	$ (16,487)	$ (236,570)	$ —	$ —	$ 7,490,481
Natural resources	67,375	—	(3,390)	(6,725)	—	—	57,260
Private equities	12,852	—	(67)	(11,054)	—	—	1,731
Absolute return	24,616	—	(3,901)	3,021	—	—	23,736
Assets held by other trustees	142,936	518	(10,826)	7,236	948	—	140,812
Other	958,390	50,214	(26,077)	86,967	—	—	1,069,494
TOTAL	**$ 8,927,564**	**$ 72,875**	**$ (60,748)**	**$ (157,125)**	**$ 948**	**$ —**	**$ 8,783,514**

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**

**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, 2023 and 2022, the change in unrealized gains (losses) for Level 3 investments still held at August 31, 2023 and 2022 was $(101.1) million and $1.2 billion, respectively.

LEVEL 3 INVESTMENT VALUATION TECHNIQUES AND SIGNIFICANT UNOBSERVABLE INPUTS

The following table summarizes the significant unobservable inputs and valuation methodologies for Level 3 investments as of August 31, 2023 and 2022, in thousands of dollars.

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

INVESTMENT CATEGORIES	FAIR VALUE[1]	VALUATION TECHNIQUE	SIGNIFICANT UNOBSERVABLE INPUTS	RANGE MIN	RANGE MAX	WEIGHTED AVERAGE	IMPACT TO VALUATION FROM AN INCREASE IN INPUT[2]
2023							
Real estate	$ 6,599,473	Discounted cash flow	Discount rate	5.9%	20.0%	7.5%	Decrease
			Capitalization rate	6.0%	8.5%	6.6%	Decrease
Assets held by other trustees	140,812	Net present value	Discount rate	5.0%	5.0%	N/A	Decrease
TOTAL AMOUNT WITH SIGNIFICANT UNOBSERVABLE INPUTS	**$6,740,285**						
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
TOTAL AMOUNT WITH SIGNIFICANT UNOBSERVABLE INPUTS	**$6,934,654**						

[1] Level 3 investments of $2.0 billion and $1.9 billion at August 31, 2023 and 2022, respectively, 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, 2023, in thousands of dollars:

ASSET CLASS	FAIR VALUE	UNFUNDED COMMITMENT	REMAINING LIFE (YEARS)	REDEMPTION TERMS
Public equities	$ 7,446,430	$ 45,235	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	2,292,813	1,151,643	0 to 9	Not eligible for redemption
Natural resources	1,345,784	717,788	0 to 9	Not eligible for redemption
Private equities	16,830,168	5,529,580	0 to 20	Not eligible for redemption
Absolute return	7,064,050	343,715	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	**$34,979,245**	**$ 7,787,961**		

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, 2023 and 2022, in thousands of dollars:

	GROSS AMOUNTS OF ASSETS AND LIABILITIES	OFFSET AMOUNTS	NET AMOUNTS	COLLATERAL RECEIVED (PLEDGED)[2]	NET EXPOSURE
2023					
Assets:					
Derivatives[1]	$ 9,003	$ (3,067)	$ 5,936	$ 5,936	$ —
Repurchase agreements[3]	430,947	—	430,947	430,947	—
TOTAL	**439,950**	**(3,067)**	**436,883**	**436,883**	**—**
Liabilities:					
Derivatives[1]	3,067	(3,067)	—	—	—
TOTAL	**$ 3,067**	**$ (3,067)**	**$ —**	**$ —**	**$ —**
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)**	**$ —**

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

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

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

INVESTMENT RETURNS

Total investment returns for the years ended August 31, 2023 and 2022, in thousands of dollars, are as follows:

	UNIVERSITY	SHC	LPCH	CONSOLIDATED
2023				
Investment income	$ 500,053	$ 125,657	$ 18,390	$ 644,100
Net realized and unrealized gains	1,078,952	208,298	53,215	1,340,465
TOTAL INVESTMENT RETURNS, NET	**$ 1,579,005**	**$ 333,955**	**$ 71,605**	**$ 1,984,565**
Reconciliation to *Statements of Activities:*				
Total investment income distributed for operations	$ 1,878,501	$ 3,691	$ 12,174	$ 1,894,366
Increase (decrease) in reinvested gains:				
Without donor restrictions	(96,173)	326,565	38,424	268,816
With donor restrictions	(252,663)	3,699	19,445	(229,519)
Change in value of split-interest agreements, net	29,596	—	1,562	31,158
Adjustments for actuarial re-evaluations and maturities of split-interest agreements	19,744	—	—	19,744
TOTAL INVESTMENT RETURNS, NET	**$ 1,579,005**	**$ 333,955**	**$ 71,605**	**$ 1,984,565**
2022				
Investment income	$ 398,137	$ 123,298	$ 2,303	$ 523,738
Net realized and unrealized losses	(445,728)	(386,982)	(38,851)	(871,561)
TOTAL INVESTMENT RETURNS, NET	**$ (47,591)**	**$ (263,684)**	**$ (36,548)**	**$ (347,823)**
Reconciliation to *Statements of Activities:*				
Total investment income distributed for operations	$ 1,742,175	$ 606	$ 9,370	$ 1,752,151
Increase (decrease) in reinvested gains:				
Without donor restrictions	(449,755)	(264,528)	(29,655)	(743,938)
With donor restrictions	(1,243,613)	238	(12,396)	(1,255,771)
Change in value of split-interest agreements, net	(59,444)	—	(3,867)	(63,311)
Adjustments for actuarial re-evaluations and maturities of split-interest agreements	(36,954)	—	—	(36,954)
TOTAL INVESTMENT RETURNS, NET	**$ (47,591)**	**$ (263,684)**	**$ (36,548)**	**$ (347,823)**

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, 2023, in thousands of dollars, is as follows:

	FUTURE MINIMUM RENTAL INCOME			
YEAR ENDING AUGUST 31	UNIVERSITY	SHC	LPCH	CONSOLIDATED
2024	$ 112,887	$ 5,092	$ 1,309	$ 119,288
2025	120,490	3,137	529	124,156
2026	112,426	2,316	522	115,264
2027	93,215	1,936	444	95,595
2028	92,845	1,275	80	94,200
Thereafter	1,242,628	8,504	—	1,251,132
TOTAL	**$ 1,774,491**	**$ 22,260**	**$ 2,884**	**$ 1,799,635**

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, 2023 and 2022, and gains and losses for the years ended August 31, 2023 and 2022, in thousands of dollars:

	NOTIONAL AMOUNT[1]	GROSS DERIVATIVE ASSETS[2]	GROSS DERIVATIVE LIABILITIES[2]	REALIZED AND UNREALIZED GAINS (LOSSES)[3]
2023	AS OF AUGUST 31			YEAR ENDED AUGUST 31
Foreign exchange contracts	$ 13,426	$ —	$ 275	$ (27)
Equity contracts	715,867	9,003	2,792	(34,093)
TOTAL	**$ 729,293**	**$ 9,003**	**$ 3,067**	**$ (34,120)**
2022				
Foreign exchange contracts	$ 102,873	$ 42	$ 913	$ (1,937)
Equity contracts	378,657	3,321	11,418	87,318
TOTAL	**$ 481,530**	**$ 3,363**	**$ 12,331**	**$ 85,381**

[1] *The notional amount is representative of the volume and activity of the respective derivative type during the years ended August 31, 2023 and 2022.*

[2] *Gross derivative assets less gross derivative liabilities of $5.9 million and $(9.0) million as of August 31, 2023 and 2022, 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."*

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, 2023, 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 $6.1 million and $9.7 million at August 31, 2023 and 2022, 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, 2023 and 2022 (see *Note 9*).

At August 31, 2023, 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 Secured Overnight Financing Rate (SOFR) plus an applicable 1-Month spread. The notional amount and the fair value of the exchange agreements are included in the table below. There was no cash collateral posted with counterparties at August 31, 2023 and 2022.

The following table presents amounts for debt-related derivatives including the notional amount, the fair values at August 31, 2023 and 2022, and gains and losses for the years ended August 31, 2023 and 2022, in thousands of dollars:

	AS OF AUGUST 31, 2023		YEAR ENDED AUGUST 31, 2023	AS OF AUGUST 31, 2022		YEAR ENDED AUGUST 31, 2022
	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	$ 12,433	$ 9,117	$ 97,000	$ 21,550	$ 21,707
SHC	573,050	86,262	59,644	573,725	145,906	139,748
TOTAL	**$ 670,050**	**$ 98,695**	**$ 68,761**	**$ 670,725**	**$ 167,456**	**$ 161,455**

[1] The notional amount is representative of the volume and activity of the respective derivative type during the years ended August 31, 2023 and 2022.

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

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

8. Plant Facilities

Plant facilities, net of accumulated depreciation, at August 31, 2023 and 2022, in thousands of dollars, are as follows:

	UNIVERSITY	SHC	LPCH	CONSOLIDATED
2023				
Land and improvements	$ 901,483	$ 156,441	$ 120,605	$ 1,178,529
Buildings and building improvements	10,601,370	4,242,155	1,974,474	16,817,999
Furniture, fixtures and equipment	2,294,268	1,828,646	512,912	4,635,826
Utilities	1,085,835	—	—	1,085,835
Construction in progress	553,721	419,997	108,845	1,082,563
	15,436,677	6,647,239	2,716,836	24,800,752
Less accumulated depreciation	(6,877,840)	(2,771,562)	(967,309)	(10,616,711)
PLANT FACILITIES, NET OF ACCUMULATED DEPRECIATION	**$ 8,558,837**	**$ 3,875,677**	**$ 1,749,527**	**$ 14,184,041**
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**

At August 31, 2023, $2.8 billion, $1.6 billion, and $489.1 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, in fiscal year 2022 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

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.

Notes and bonds payable for the University, SHC, and LPCH at August 31, 2023 and 2022, in thousands of dollars, are presented in the table below. The University is not an obligor or guarantor with respect to any obligations of SHC or LPCH, nor are SHC or LPCH obligors or guarantors with respect to obligations of the University or each other.

	YEAR OF MATURITY	EFFECTIVE INTEREST RATE * 2023/2022	OUTSTANDING PRINCIPAL 2023	2022
UNIVERSITY:				
Tax-exempt:				
CEFA Fixed Rate Revenue Bonds:				
Series S	2040	3.18%	$ 30,210	$ 30,210
Series T	2026-2039	4.28%-4.30%	137,135	188,900
Series U	2033-2046	2.71%-4.25%	1,043,090	1,043,090
Series V	2029-2051	1.83%-3.12%	983,775	742,230
CEFA Variable Rate Revenue Bonds and Notes:				
Series L	2023	1.20%	—	36,208
Series S	2040-2051	3.10%/1.20%-1.47%	141,200	141,200
Commercial Paper	2024	3.05%	7,300	—
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	2036	3.37%/3.29%	85,717	480
Commercial Paper	2024	5.40%-5.50%/2.32%-2.55%	60,456	30,055
Revolving Credit Facilities	2024-2025	5.71%	3,886	—
University notes and bonds payable			5,007,119	4,726,723
Unamortized issuance costs, premiums, and discounts, net			463,376	427,115
UNIVERSITY TOTAL			**$ 5,470,495**	**$ 5,153,838**
SHC:				
CHFFA Fixed Rate Revenue Bonds:				
2012 Series B	2023	2.57%	$ —	$ 7,430
2015 Series A	2052-2054	4.10%	100,000	100,000
2017 Series A	2024-2041	2.89%/2.87%	437,440	447,075
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	2.94%/1.38%	168,200	168,200
SHC notes and bonds payable			2,198,575	2,215,640
Unamortized issuance costs, premiums, and discounts, net			71,870	79,697
SHC TOTAL			**$ 2,270,445**	**$ 2,295,337**
LPCH:				
CHFFA Fixed Rate Revenue Bonds:				
2014 Series A	2025-2043	3.84%	$ 100,000	$ 100,000
2016 Series A	2016-2033	2.54%/2.48%	50,505	53,940
2016 Series B	2052-2055	3.34%	100,000	100,000
2017 Series A	2019-2057	3.14%/3.11%	188,175	190,940
2022 Series A	2023-2051	2.49%/2.47%	203,760	206,670
CHFFA Variable Rate Revenue Bonds:				
2014 Series B	2034-2043	4.09%/2.17%	100,000	100,000
LPCH notes and bonds payable			742,440	751,550
Unamortized issuance costs, premiums, and discounts, net			67,763	70,281
LPCH TOTAL			**$ 810,203**	**$ 821,831**
CONSOLIDATED TOTAL			**$ 8,551,143**	**$ 8,271,006**

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

The University's long-term ratings of AAA/AAA/Aaa were affirmed in May 2023 by S&P Global Ratings, Fitch Ratings, and 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 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 2023, SHC's long-term ratings were affirmed by S&P Global Ratings, Moody's Investors Service, and Fitch Ratings at AA-/Aa3/AA, respectively. In June and July 2023, LPCH's long-term ratings of A+/A1/AA- were affirmed by S&P Global Ratings, Moody's Investors Service, and Fitch Ratings, 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 June 2023, CEFA, on behalf of the University, issued its tax-exempt Series V-3 bonds in the amount of $241.5 million plus an original issue premium of $58.5 million, maturing on June 1, 2033. The series has a coupon rate of 5.00% and has a yield of 2.28% and will be used to finance or refinance certain capital projects of the university.

In March 2023, CEFA Series T-5 tax-exempt bonds in the amount of $51.8 million matured and were refunded with a portion of the proceeds of CEFA Series V-3 bonds.

In October 2022, CEFA Series L-6 and L-7 tax-exempt bonds in the amounts of $17.8 million and $18.4 million, respectively, matured and were repaid.

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 financing rate rate plus a specified margin. The amount outstanding on these credit facilities was $3.9 million and $0 at August 31, 2023 and 2022, respectively.

Variable rate debt subject to remarketing or tender

The University had $141.2 million of revenue bonds in variable rate mode outstanding at August 31, 2023. 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.

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, 2023 and 2022. Taxable commercial paper of $60.5 million and $30.1 million was outstanding at August 31, 2023 and 2022, respectively. Tax-exempt commercial paper of $7.3 million and $0 was outstanding at August 31, 2023 and 2022, respectively.

SHC

Debt issuances and repayment activity

SHC has a revolving line of credit facility, which has a maturity date of November 2024, for general corporate purposes. Drawdowns from the facility bear interest at the Bloomberg Short-Term Bank Yield Index (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, 2023 and 2022.

SHC also has a $150.0 million taxable commercial paper facility for general corporate purposes. There were no amounts outstanding as of August 31, 2023 and 2022.

Variable rate debt

At August 31, 2023, 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.

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, 2023 and 2022.

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 in "Other changes in net assets without donor restrictions" in the *Statements of Activities*.

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. Irrevocable standby letters of credit outstanding as of August 31, 2023 and 2022, in thousands of dollars, is as follows:

	UNIVERSITY	SHC	LPCH	CONSOLIDATED
2023				
Security for workers compensation insurance	$ 12,520	$ 28,916	$ 10,988	$ 52,424
Collateral for interest rate exchange agreements	15,000	—	—	15,000
Other	4,145	2,210	1,422	7,777
TOTAL	**$ 31,665**	**$ 31,126**	**$ 12,410**	**$ 75,201**
Amounts drawn as of August 31, 2023	$ —	$ —	$ —	$ —
Amounts drawn as of August 31, 2022	$ —	$ —	$ —	$ —

INTEREST

Stanford's interest expense, which includes amortized bond issuance costs and amortized bond premium or discount, is recorded in "Other operating expenses". Interest expense for the years ended August 31, 2023 and 2022, in thousands of dollars, is as follows:

	UNIVERSITY	SHC	LPCH	CONSOLIDATED
2023				
Interest expense, gross	$ 173,299	$ 74,100	$ 31,258	$ 278,657
Less:				
Interest income earned on unspent bond proceeds	(4,467)	—	—	(4,467)
Interest capitalized as a cost of construction	(7,083)	—	—	(7,083)
Interest expense which is classified as an investment expense	(3,954)	—	—	(3,954)
INTEREST EXPENSE, NET	**$ 157,795**	**$ 74,100**	**$ 31,258**	**$ 263,153**
2022				
Interest expense, gross	$ 164,162	$ 71,939	$ 31,042	$ 267,143
Less:				
Interest income earned on unspent bond 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**

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 $662.8 thousand and $3.2 million for the years ended August 31, 2023 and 2022, respectively. SHC net payments on interest rate exchange agreements were $5.1 million and $19.8 million for the years ended August 31, 2023 and 2022, respectively.

PRINCIPAL PAYMENTS

At August 31, 2023, scheduled principal payments on notes and bonds, in thousands of dollars, are as follows:

	PRINCIPAL PAYMENTS			
YEAR ENDING AUGUST 31	UNIVERSITY	SHC	LPCH	CONSOLIDATED
2024 Commercial paper	$ 67,756	$ —	$ —	$ 67,756
2024 Variable debt subject to remarketing	141,200	168,200	100,000	409,400
2024 Other	159,639	13,475	9,570	182,684
2025	5,960	175,330	9,975	191,265
2026	81,527	18,480	10,470	110,477
2027	306,380	19,320	11,020	336,720
2028	6,596	20,260	12,080	38,936
Thereafter	4,238,061	1,783,510	589,325	6,610,896
TOTAL	**$ 5,007,119**	**$ 2,198,575**	**$ 742,440**	**$ 7,948,134**

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, 2023 and 2022, in thousands of dollars, are as follows:

	UNIVERSITY	SHC	LPCH	ELIMINATIONS	CONSOLIDATED
2023					
NET ASSETS WITHOUT DONOR RESTRICTIONS					
Board designated endowment - Funds functioning as endowment	$ 16,841,959	$ —	$ 145,276	$ —	$ 16,987,235
Net investment in plant facilities and other plant funds	4,745,919	2,392,495	939,324	—	8,077,738
Operating funds	5,605,980	4,306,411	1,341,959	(236,176)	11,018,174
Total net assets without donor restrictions	27,193,858	6,698,906	2,426,559	(236,176)	36,083,147
NET ASSETS WITH DONOR RESTRICTIONS					
Subject to expenditure for specified purpose:					
Unspent gifts and gifts with undecided purpose restrictions	891,791	—	—	—	891,791
Plant facilities	393,541	8,356	156,411	—	558,308
Total	1,285,332	8,356	156,411	—	1,450,099
Subject to passage of time:					
Pledges receivable	1,314,014	45,182	112,932	(14,113)	1,458,015
Other funds	364,416	42,662	100,487	—	507,565
Total	1,678,430	87,844	213,419	(14,113)	1,965,580
Subject to University's spending policy:					
Accumulated appreciation	10,541,248	26,185	209,857	—	10,777,290
Subject to restrictions in perpetuity:					
Endowment funds	8,928,113	15,544	268,330	—	9,211,987
Pledges receivable	1,316,942	—	6,460	—	1,323,402
Other funds	294,381	—	—	—	294,381
Total	10,539,436	15,544	274,790	—	10,829,770
Total net assets with donor restrictions	24,044,446	137,929	854,477	(14,113)	25,022,739
TOTAL NET ASSETS	**$51,238,304**	**$6,836,835**	**$3,281,036**	**$ (250,289)**	**$ 61,105,886**

	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:					
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**

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 or completion of the donor restriction. 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.

Endowment funds by net asset classification at August 31, 2023 and 2022, in thousands of dollars, are as follows:

	2023	2022
University endowment		
Endowment funds without donor restrictions:		
Funds functioning as endowment	$ 16,841,959	$ 16,915,950
Endowment funds with donor restrictions:		
Original donor-restricted gift amount and gains maintained in perpetuity	8,928,113	8,454,185
Term endowment and related gains	276,442	259,640
Additional accumulated gains available for expenditure, subject to spending policy	10,448,379	10,709,019
Total endowment funds with donor restrictions	19,652,934	19,422,844
University endowment	36,494,893	36,338,794
LPCH endowment		
Endowment funds without donor restrictions:		
Funds functioning as endowment	145,276	144,650
Endowment funds with donor restrictions	482,181	477,209
LPCH endowment	627,457	621,859
SHC endowment funds with donor restrictions	41,729	41,281
TOTAL ENDOWMENT FUNDS	**$ 37,164,079**	**$ 37,001,934**

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

UNIVERSITY

Changes in the University's endowment, excluding pledges, for the years ended August 31, 2023 and 2022, in thousands of dollars, are as follows:

	NET ASSETS WITHOUT DONOR RESTRICTIONS	NET ASSETS WITH DONOR RESTRICTIONS	TOTAL
2023			
Endowment, beginning of year	$ 16,915,950	$ 19,422,844	$ 36,338,794
Total investment returns, net	378,870	786,411	1,165,281
Amounts distributed for operations	(689,138)	(1,047,208)	(1,736,346)
Gifts, transfers and other changes in endowment:			
Current year gifts and pledge payments	822	429,025	429,847
Transfers of prior year gifts	3,488	51,998	55,486
Added to FFE reserves	199,254	—	199,254
Other funds added to the endowment, net	32,713	9,864	42,577
Total gifts, transfers and other changes in endowment	236,277	490,887	727,164
Total net increase (decrease) in endowment	(73,991)	230,090	156,099
ENDOWMENT, END OF YEAR	**$ 16,841,959**	**$ 19,652,934**	**$ 36,494,893**
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 decrease in endowment	(640,974)	(808,419)	(1,449,393)
ENDOWMENT, END OF YEAR	**$ 16,915,950**	**$ 19,422,844**	**$ 36,338,794**

Approximately 14% 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 2023 was 5.25%. 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. In fiscal year 2023, the Board reverted back to one single payout rate for all funds. The sources of payout are earned income on endowment assets (interest, dividends, rents and royalties), realized capital gains and FFE, as needed and as available.

SHC

SHC's endowment is intended to generate investment income to support its current operating and strategic initiatives. SHC invests all of its endowment in the University's MP. The endowments are subject to the same investment and spending strategies that the University employs. "Amounts distributed for operations" in the table below represents SHC's current year endowment payout spent for designated purposes. All of SHC's endowment is donor restricted. Changes in SHC's endowment, excluding pledges, for the years ended August 31, 2023 and 2022, in thousands of dollars, are as follows:

	2023	2022
Endowment, beginning of year	$ 41,281	$ 42,678
Total investment returns, net	1,511	(1,184)
Amounts distributed for operations	(1,063)	(384)
Gifts and pledge payments	—	171
Total net increase (decrease) in endowment	448	(1,397)
ENDOWMENT, END OF YEAR	**$ 41,729**	**$ 41,281**

LPCH

LPCH's endowment is intended to generate investment income to support its 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 endowment is subject to the same investment and spending strategies that the University employs 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, 2023 and 2022, in thousands of dollars, are as follows:

	NET ASSETS WITHOUT DONOR RESTRICTIONS	NET ASSETS WITH DONOR RESTRICTIONS	TOTAL
2023			
Endowment, beginning of year	$ 144,650	$ 477,209	$ 621,859
Total investment returns, net	4,837	17,592	22,429
Amounts distributed for operations	(4,211)	(12,174)	(16,385)
Gifts and pledge payments	—	9,582	9,582
Other	—	(10,028)	(10,028)
Total net increase in endowment	626	4,972	5,598
ENDOWMENT, END OF YEAR	**$ 145,276**	**$ 482,181**	**$ 627,457**
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**

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, 2012 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 using an All Patient Refined-Diagnosis Related Group (APR-DRG) methodology. Hospital outpatient and professional services are reimbursed based upon prospectively determined fee schedules.

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

Managed Care Organizations

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

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

Uninsured

For uninsured patients that do not qualify for charity care, revenue is recognized on the basis of standard rates for services less an uninsured discount applied to the patient's account and an implicit pricing concession 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. 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
2023					
Patient care revenue, net:					
Medicare	$ —	$ 1,279,346	$ 2,770	$ —	$ 1,282,116
Medi-Cal	—	175,157	542,835	—	717,992
Managed care	—	5,723,278	1,742,559	—	7,465,837
Self pay and other	—	299,241	230,261	—	529,502
Physician services and support (see *Note 1*)	1,577,976	44,013	—	(1,621,989)	—
Total patient care revenue, net	1,577,976	7,521,035	2,518,425	(1,621,989)	9,995,447
Premium revenue	—	65,386	—	—	65,386
Other services and support	47,419	—	—	(7,682)	39,737
HEALTH CARE SERVICES REVENUE, NET	**$1,625,395**	**$7,586,421**	**$2,518,425**	**$ (1,629,671)**	**$ 10,100,570**
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**

For the years ended August 31, 2023 and 2022, SHC recognized net health care services revenue adjustments of $16.5 million and $6.1 million, respectively, as a result of prior years' favorable developments related to reimbursement and appeals. LPCH had no significant adjustments to revenue for the years ended August 31, 2023 and 2022.

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 $16.3 million and $16.2 million, and LPCH's estimated cost of providing charity care was $1.6 million and $1.3 million for the years ended August 31, 2023 and 2022, 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 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, 2023 and 2022 were $1.8 billion and $1.7 billion for SHC, respectively. For LPCH, estimated cost in excess of reimbursements for Medi-Cal and other publicly sponsored programs for the years ended August 31, 2023 and 2022 were $339.0 million and $284.1 million, 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 January 1, 2021 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 January 1, 2021 through August 31, 2023 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
2023			
Revenue	$ 118,859	$ 136,655	$ 255,514
Expense	(65,827)	(37,598)	(103,425)
TOTAL	**$ 53,032**	**$ 99,057**	**$ 152,089**
2022			
Revenue	$ 98,230	$ 93,730	$ 191,960
Expense	(54,850)	(24,127)	(78,977)
TOTAL	**$ 43,380**	**$ 69,603**	**$ 112,983**

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, 2023 and 2022, in thousands of dollars, is as follows:

	SHC	LPCH	CONSOLIDATED
2023			
Deferred revenue	$ 42,713	$ 38,397	$ 81,110
Prepaid expense	$ 38,074	$ 19,927	$ 58,001
2022			
Deferred revenue	$ 73,145	$ 86,628	$ 159,773
Prepaid expense	$ 44,121	$ 22,410	$ 66,531

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 (including pledge payments) 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, 2023 and 2022, per the *Consolidated Statements of Activities*, in thousands of dollars:

	UNIVERSITY	SHC	LPCH	ELIMINATIONS	CONSOLIDATED
2023					
Current year gifts in support of operations	$ 269,096	$ 506	$ 6,028	$ —	$ 275,630
Donor advised funds, net	(41,846)	—	—	—	(41,846)
Current year gifts not included in operations	822	—	—	—	822
Gifts and pledges, net - with donor restrictions	1,521,106	20,884	90,423	4,135	1,636,548
TOTAL	**$ 1,749,178**	**$ 21,390**	**$ 96,451**	**$ 4,135**	**$ 1,871,154**
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**

14. Functional Expenses

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

Major functional categories consist of the following:

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

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

Expenses by functional and natural classification for the years ended August 31, 2023 and 2022, in thousands of dollars, are as follows:

	SALARIES AND BENEFITS	DEPRECIATION	OTHER OPERATING EXPENSES	TOTAL OPERATING EXPENSES
2023				
UNIVERSITY				
Instruction and departmental research	$ 1,799,280	$ 142,171	$ 754,085	$ 2,695,536
Organized research - direct costs	937,254	78,377	567,347	1,582,978
Health care services	1,091,086	4,683	25,917	1,121,686
Auxiliary activities	219,265	137,968	365,722	722,955
Administration and general	386,500	55,269	229,610	671,379
Student services	219,170	7,218	175,802	402,190
Libraries	70,965	71,878	62,279	205,122
Development	110,538	4,527	22,598	137,663
SLAC construction	53,037	—	67,338	120,375
TOTAL EXPENSES	**4,887,095**	**502,091**	**2,270,698**	**7,659,884**
SHC				
Health care services	3,307,740	244,834	3,359,035	6,911,609
Administration and general	266,724	17,878	243,796	528,398
Development	1,335	—	15,498	16,833
TOTAL EXPENSES	**3,575,799**	**262,712**	**3,618,329**	**7,456,840**
LPCH				
Health care services	1,153,311	81,567	1,057,491	2,292,369
Administration and general	123,002	6,328	127,122	256,452
Development	21,875	1,123	11,540	34,538
TOTAL EXPENSES	**1,298,188**	**89,018**	**1,196,153**	**2,583,359**
ELIMINATIONS				
Health care services	—	—	(1,587,565)	(1,587,565)
Administration and general	—	—	(42,529)	(42,529)
Development	—	—	(16,627)	(16,627)
TOTAL ELIMINATIONS	**—**	**—**	**(1,646,721)**	**(1,646,721)**
CONSOLIDATED				
Instruction and departmental research	1,799,280	142,171	754,085	2,695,536
Organized research - direct costs	937,254	78,377	567,347	1,582,978
Health care services	5,552,137	331,084	2,854,878	8,738,099
Auxiliary activities	219,265	137,968	365,722	722,955
Administration and general	776,226	79,475	557,999	1,413,700
Student services	219,170	7,218	175,802	402,190
Libraries	70,965	71,878	62,279	205,122
Development	133,748	5,650	33,009	172,407
SLAC construction	53,037	—	67,338	120,375
TOTAL EXPENSES	**$ 9,761,082**	**$ 853,821**	**$ 5,438,459**	**$ 16,053,362**

	SALARIES AND BENEFITS	DEPRECIATION	OTHER OPERATING EXPENSES	TOTAL 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**

15. University Retirement Plans

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

DEFINED CONTRIBUTION PLAN

The University offers a defined contribution plan to eligible faculty and staff through the *Stanford Contributory Retirement Plan* (SCRP). Employer contributions are based on a percentage of participant annual compensation, participant contributions and years of service. University and participant contributions are primarily invested in annuities and mutual funds. University contributions under the SCRP, which are vested immediately to participants, were $234.2 million and $212.0 million for the years ended August 31, 2023 and 2022, 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, 2023 and 2022, there were no program assets. The University funds benefit payouts as they are incurred.

Postretirement Benefit Plan

The University provides medical, dental, and vision 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 legacy design or the defined dollar benefit design. The University provides Medicare and non-Medicare medical plans to eligible retirees and their dependents.

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
2023				
Fair value of plan assets, beginning of year	$ 216,200	$ —	$ 256,151	$ 472,351
Change in plan assets:				
Actual return on plan assets	5,989	—	18,394	24,383
Employer contributions	—	10,889	5,348	16,237
Plan participants' contributions	—	—	21,797	21,797
Benefits and plan expenses paid	(18,993)	(10,889)	(40,430) *	(70,312)
FAIR VALUE OF PLAN ASSETS, END OF YEAR	**203,196**	**—**	**261,260**	**464,456**
Benefit obligation, beginning of year	239,194	160,554	515,423	915,171
Change in projected benefit obligation:				
Service cost	823	8,883	16,653	26,359
Interest cost	10,421	7,212	23,486	41,119
Plan participants' contributions	—	—	21,797	21,797
Actuarial loss (gain)	(15,428)	(1,747)	8,228	(8,947)
Benefits and plan expenses paid	(18,993)	(10,889)	(40,430) *	(70,312)
BENEFIT OBLIGATION, END OF YEAR	**216,017**	**164,013**	**545,157**	**925,187**
NET LIABILITY RECOGNIZED IN THE *STATEMENTS OF FINANCIAL POSITION*	**$ (12,821)**	**$ (164,013)**	**$ (283,897)**	**$ (460,731)**

** Net of Medicare subsidy of $2.4 million*

	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)
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*

The accumulated benefit obligation for the SRAP was $215.6 million and $238.6 million at August 31, 2023 and 2022, respectively.

Net periodic benefit expense and non-operating activities related to the Plans for the years ended August 31, 2023 and 2022, in thousands of dollars, includes the following components:

	SRAP	FRIP	PRBP	TOTAL
2023				
Service cost	$ 823	$ 8,883	$ 16,653	$ 26,359
PERIODIC BENEFIT EXPENSE	**823**	**8,883**	**16,653**	**26,359**
Non-operating:				
Interest cost	10,421	7,212	23,486	41,119
Expected return on plan assets	(10,018)	—	(16,650)	(26,668)
Amortization of:				
Prior service cost	850	—	373	1,223
Actuarial loss (gain)	880	(612)	(2,372)	(2,104)
Non-operating periodic benefit cost	2,133	6,600	4,837	13,570
NET PERIODIC BENEFIT COST[1]	**2,956**	**15,483**	**21,490**	**39,929**
Non-operating periodic benefit cost	2,133	6,600	4,837	13,570
Net actuarial loss (gain)	(11,399)	(1,747)	6,484	(6,662)
Amortization of:				
Prior service cost	(850)	—	(373)	(1,223)
Actuarial loss (gain)	(880)	612	2,372	2,104
TOTAL AMOUNTS RECOGNIZED IN NON-OPERATING ACTIVITIES	**$ (10,996)**	**$ 5,465**	**$ 13,320**	**$ 7,789**
2022				
Service cost	$ 1,084	$ 11,704	$ 23,913	$ 36,701
PERIODIC BENEFIT EXPENSE	**1,084**	**11,704**	**23,913**	**36,701**
Non-operating:				
Interest cost	6,684	4,403	17,146	28,233
Expected return on plan assets	(13,742)	—	(20,223)	(33,965)
Amortization of:				
Prior service cost	850	—	373	1,223
Non-operating periodic benefit cost	(6,208)	4,403	(2,704)	(4,509)
NET PERIODIC BENEFIT COST[1]	**(5,124)**	**16,107**	**21,209**	**32,192**
Non-operating periodic benefit cost	(6,208)	4,403	(2,704)	(4,509)
Net actuarial 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)**

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

Cumulative amounts recognized in non-operating activities, but not yet recognized in net periodic benefit cost in the *Consolidated Statements of Activities*, are presented in the following table for the years ended August 31, 2023 and 2022, in thousands of dollars:

	SRAP	FRIP	PRBP	TOTAL
2023				
Prior service cost	$ 2,130	$ —	$ 1,755	$ 3,885
Net actuarial loss (gain)	30,713	(29,270)	(77,078)	(75,635)
ACCUMULATED PLAN BENEFIT COSTS NOT YET RECOGNIZED IN NET PERIODIC BENEFIT COST	**$ 32,843**	**$ (29,270)**	**$ (75,323)**	**$ (71,750)**
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)**

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	
	2023	2022	2023	2022	2023	2022
BENEFIT OBLIGATIONS						
Discount rate	5.31%	4.66%	5.35%	4.71%	5.37%	4.65%
Covered payroll growth rate	3.00%	3.00%	4.80%	4.80%	N/A	N/A
NET PERIODIC BENEFIT COST						
Discount rate	4.66%	2.34%	4.71%	2.43%	4.65%	2.67%
Expected returns on plan assets	5.00%	5.00%	N/A	N/A	6.50%	6.00%
Covered payroll growth rate	3.00%	3.00%	4.80%	4.80%	N/A	N/A

The expected long-term rate of return on asset assumptions for the SRAP and PRBP plans is 6.00% 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, 2023, a 8.90%, 6.30% and 4.10% 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 2023 with all three rates declining gradually to 4.00% by 2047 and remaining at this rate thereafter.

EXPECTED CONTRIBUTIONS

The University expects to contribute $15.9 million to the FRIP, $23.8 million to the PRBP, and does not expect to contribute to the SRAP during the fiscal year ending August 31, 2024.

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	SRAP	FRIP	PRBP: EXCLUDING MEDICARE SUBSIDY	PRBP: EXPECTED MEDICARE PART D SUBSIDY
2024	$ 27,870	$ 15,926	$ 25,991	$ 2,194
2025	19,101	16,559	27,599	2,267
2026	19,032	13,253	29,128	2,337
2027	17,909	10,673	30,657	2,435
2028	17,263	10,855	32,296	2,533
2029 - 2033	74,202	66,189	185,182	14,187

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, 2023, 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, 2023 and 2022, 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, 2023 and 2022 and actual allocations and weighted-average target allocations at August 31, 2023 are as follows:

	2023	2022	2023 ACTUAL ALLOCATION	2023 TARGET ALLOCATION
SRAP:				
Cash and cash equivalents	$ 2,147	$ 1,666	1%	—%
Public equities	88,553	94,677	44%	45%
Fixed income	112,496	119,842	55%	55%
Private equities	—	15	—%	—%
TOTAL	**203,196**	**216,200**	**100%**	**100%**
PRBP:				
Public equities	195,088	190,149	75%	75%
Fixed income	66,172	66,002	25%	25%
TOTAL	**261,260**	**256,151**	**100%**	**100%**
TOTAL PLAN ASSETS AT FAIR VALUE	**$ 464,456**	**$ 472,351**		

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 contributions under the plan, which are vested immediately to participants, were $192.9 million and $164.8 million, and LPCH contributed $74.3 million and $64.7 million for the years ended August 31, 2023 and 2022, 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. 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.

SHC has adopted an amendment to terminate the Pension Plan, effective as of March 31, 2023. Plan participants will elect to receive a lump sum distribution (if eligible) or have their benefits transferred to a third-party annuity provider. This will relieve SHC from any further obligations under the Pension Plan once it is fully settled. Final true-up contributions in connection with the annuity contract purchase are expected to be made by January 31, 2024.

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 legacy 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 were covered by a frozen noncontributory defined benefit pension plan (the "LPCH Frozen Pension Plan"). Benefits were based on years of service and the employee's compensation. Contributions to the plan were based on actuarially determined amounts sufficient to meet the benefits to be paid to plan participants. In November 2020, the LPCH Board of Directors approved a resolution to terminate the LPCH Frozen Pension Plan. As of August 2022, the LPCH Frozen Pension Plan was fully settled, and all benefit obligations released. Plan participants elected to receive either a lump-sum distribution or to transfer benefits to a third-party annuity provider. A handful of missing participants were also transferred to the Pension Guarantee Benefit Corporation. As a result of the settlement, LPCH was relieved of any further obligations under the pension plan. During the year ended August 31, 2022, pension settlement charges totaling $1.9 million were recognized, consisting of unrecognized actuarial losses previously included in the adjustment for minimum pension liability. No cash contributions were required during the fiscal year in connection with the plan termination.

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

	STAFF PENSION PLAN	PRMB	LPCH FROZEN PENSION PLAN
2023			
Fair value of plan assets, beginning of year	$ 164,594	$ —	$ 13
Change in plan assets:			
Actual return on plan assets	(1,112)	—	—
Employer contributions	—	5,642	—
Plan participants' contributions	—	1,156	—
Benefits and plan expenses paid	(12,092)	(6,798) *	(13)
FAIR VALUE OF PLAN ASSETS, END OF YEAR	**151,390**	**—**	**—**
Benefit obligation, beginning of year	167,017	117,266	—
Change in projected benefit obligation:			
Service cost	894	5,478	—
Interest cost	7,533	5,322	—
Plan participants' contributions	—	1,156	—
Actuarial gain	(5,829)	(7,230)	—
Benefits and plan expenses paid	(12,092)	(6,798) *	—
Plan amendments	887	394	—
Plan curtailments	(856)	—	—
BENEFIT OBLIGATION, END OF YEAR	**157,554**	**115,588**	**—**
NET LIABILITY RECOGNIZED IN THE *STATEMENTS OF FINANCIAL POSITION*	**$ (6,164)**	**$ (115,588)**	**$ —**
** Net of Medicare subsidy of $79 thousand*			
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 loss (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*			

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, 2023 and 2022, in thousands of dollars:

		2023		2022
SHC	$	85,337	$	86,276
LPCH		30,251		30,990
TOTAL	**$**	**115,588**	**$**	**117,266**

The accumulated benefit obligation for the Pension Plan was $157.6 million and $166.1 million at August 31, 2023 and 2022, respectively.

Net periodic benefit cost and non-operating activities related to the Plans for the years ended August 31, 2023 and 2022, in thousands of dollars, includes the following components:

	STAFF PENSION PLAN	PRMB	LPCH FROZEN PENSION PLAN
2023			
Service cost	$ 894	$ 5,478	$ —
PERIODIC BENEFIT EXPENSE	**894**	**5,478**	**—**
Non-operating:			
Interest cost	7,533	5,322	—
Expected return on plan assets	(7,370)	—	—
Amortization of:			
Prior service cost	—	3,553	—
Actuarial loss (gain)	349	(1,193)	—
Non-operating net periodic benefit cost (income)	512	7,682	—
NET PERIODIC BENEFIT COST[1]	**1,406**	**13,160**	**—**
Non-operating net periodic benefit cost	512	7,682	—
Net actuarial loss (gain)	1,797	(7,230)	—
New prior service cost	887	394	—
Amortization of:			
Prior service cost	—	(3,553)	—
Actuarial gain (loss)	(349)	1,193	—
TOTAL AMOUNTS RECOGNIZED IN NON-OPERATING ACTIVITIES	**$ 2,847**	**$ (1,514)**	**$ —**
2022			
Service cost	$ 1,104	$ 5,156	$ 150
PERIODIC BENEFIT EXPENSE	**1,104**	**5,156**	**150**
Non-operating:			
Interest cost	5,097	2,700	44
Expected return on plan assets	(7,627)	—	(54)
Amortization of:			
Prior service cost	—	2,415	—
Actuarial loss	2,027	167	45
Settlement loss	—	—	1,905
Non-operating net periodic benefit cost (income)	(503)	5,282	1,940
NET PERIODIC BENEFIT COST[1]	**601**	**10,438**	**2,090**
Non-operating net periodic benefit cost (income)	(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)**

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

The net periodic benefit cost and amounts recognized in non-operating activities for the PRMB include amounts for both SHC and LPCH employees and is recognized on the Hospitals' respective *Statements of Activities*. The table below presents the amount for each entity as of August 31, 2023 and 2022, in thousands of dollars:

		SHC		LPCH		TOTAL
2023						
Net periodic benefit cost	$	9,450	$	3,710	$	13,160
Amounts recognized in non-operating activities		(6,374)		(2,822)		(9,196)
TOTAL AMOUNT RECOGNIZED IN NET PERIODIC BENEFIT COST AND NON-OPERATING ACTIVITIES	**$**	**3,076**	**$**	**888**	**$**	**3,964**
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**

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, 2023 and 2022, in thousands of dollars:

		STAFF PENSION PLAN		PRMB
2023				
Prior service cost	$	887	$	33,987
Net actuarial loss (gain)		54,125		(26,554)
ACCUMULATED PLAN BENEFIT COSTS NOT YET RECOGNIZED IN NET PERIODIC BENEFIT COST	**$**	**55,012**	**$**	**7,433**
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**

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	
	2023	2022	2023	2022	2023	2022
BENEFIT OBLIGATIONS						
Discount rate	5.33%	4.68%	5.34%	4.69%	N/A	N/A
Covered payroll growth rate	3.00%	3.00%	N/A	N/A	N/A	N/A
NET PERIODIC BENEFIT COST						
Discount rate	4.68%	2.46%	4.69%	2.39%	N/A	2.34%
Expected return on plan assets	4.00%	4.00%	N/A	N/A	N/A	3.00%
Covered payroll growth rate	3.00%	3.00%	N/A	N/A	N/A	N/A

The expected long-term rate of return on asset assumptions for the Pension Plan is 4.00%. 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, 2023, a 6.60% for Medical Pre-65 and 6.08% for Medical Post-65 annual rates of increase in the per capita cost of covered health care were assumed for calendar year 2023, declining gradually to 4.00% by 2047 and remaining at this rate thereafter.

EXPECTED CONTRIBUTIONS

SHC expects to contribute $6.3 million to the PRMB and $8.8 million to the Pension Plan during the fiscal year ending August 31, 2024.

EXPECTED BENEFIT PAYMENTS

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

		PRMB	
YEAR ENDING AUGUST 31	STAFF PENSION PLAN	EXCLUDING MEDICARE SUBSIDY	EXPECTED MEDICARE PART D SUBSIDY
2024	$ 161,398	$ 8,561	$ 196
2025	—	8,496	74
2026	—	8,784	65
2027	—	9,074	56
2028	—	9,378	49
2029 - 2033	—	51,559	154

INVESTMENT STRATEGY

Given the Pension Plan’s short time horizon, due to the upcoming planned termination, the focus of the asset allocation is on funded status stabilization. The Pension Plan’s asset allocation has been revised to reflect the termination status of the plan. The Pension Plan’s assets are invested in cash and fixed income to minimize investment risk during plan termination. 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 their 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, 2023, the Pension Plan does not have concentrations of risk in any single entity, counterparty, sector, industry or country.

PLAN ASSETS AND ALLOCATIONS

Current U.S. GAAP defines a hierarchy of valuation inputs for the determination of the fair value of plan assets as described in *Note 6*. The Plans' assets measured at fair value at August 31, 2023 and 2022, are all categorized as Level 1 investments. The fair value of plan assets by asset category, in thousands of dollars, at August 31, 2023 and 2022 and actual allocations and weighted-average target allocations at August 31, 2023 are as follows:

	2023	2022	2023 ACTUAL ALLOCATION	2023 TARGET ALLOCATION
STAFF PENSION PLAN:				
Cash and cash equivalents	$ —	$ 430	—%	—%
Public equities	—	16,406	—%	—%
Fixed income	151,390	147,758	100%	100%
PLAN ASSETS AT FAIR VALUE	**$ 151,390**	**$ 164,594**	**100%**	**100%**
LPCH FROZEN PENSION PLAN:				
Cash and cash equivalents	$ —	$ 13	—%	—%
Fixed income	—	—	—%	—%
PLAN ASSETS AT FAIR VALUE	**$ —**	**$ 13**	**—%**	**—%**

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
2023					
Operating lease	$ 429,183	$ 318,150	$ 206,915	$ (116,838)	$ 837,410
Finance lease	227,014	—	—	—	227,014
TOTAL LEASE RIGHT-OF-USE ASSETS	**$ 656,197**	**$ 318,150**	**$ 206,915**	**$ (116,838)**	**$ 1,064,424**
Operating lease	$ 459,339	$ 330,012	$ 220,386	$ (116,838)	$ 892,899
Finance lease	241,034	—	—	—	241,034
TOTAL LEASE LIABILITY	**$ 700,373**	**$ 330,012**	**$ 220,386**	**$ (116,838)**	**$ 1,133,933**

	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**

	UNIVERSITY		SHC		LPCH	
	2023	2022	2023	2022	2023	2022
WEIGHTED-AVERAGE REMAINING LEASE TERM IN YEARS:						
Operating lease	23.23	22.98	6.17	5.57	7.04	7.87
Finance lease	26.19	26.55	N/A	0.17	N/A	N/A
WEIGHTED-AVERAGE DISCOUNT RATE:						
Operating lease	3.10%	2.38%	3.68%	2.14%	2.69%	2.19%
Finance lease	2.71%	2.59%	N/A	1.79%	N/A	N/A

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

	UNIVERSITY	SHC	LPCH	CONSOLIDATED
2023				
Operating lease cost	$ 44,248	$ 82,782	$ 38,084	$ 165,114
Finance lease cost:				
Amortization of leased assets	14,771	12	—	14,783
Interest on lease liabilities	6,238	—	—	6,238
Variable lease cost	5,399	11,338	6,360	23,097
Short-term lease cost	27,599	11,696	809	40,104
Sublease income	(7,023)	(3,949)	(4,532)	(15,504)
TOTAL LEASE COST	**$ 91,232**	**$ 101,879**	**$ 40,721**	**$ 233,832**
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**

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

	UNIVERSITY	SHC	LPCH	CONSOLIDATED
2023				
Cash paid for amounts included in the measurement of lease liabilities:				
Operating cash flows from operating leases	$ 35,806	$ 84,650	$ 37,256	$ 157,712
Operating cash flows from finance leases	6,238	—	—	6,238
Financing cash flows from finance leases	8,968	12	—	8,980
Obtaining right-of-use assets in exchange for lease liabilities:				
Operating leases	$ 316	$ 143,898	$ 33,370	$ 177,584
Finance leases	745	—	—	745
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

Maturities of lease liabilities for periods subsequent to August 31, 2023, in thousands of dollars, are as follows:

	MATURITY OF LEASE LIABILITIES				
YEAR ENDING AUGUST 31	UNIVERSITY	SHC	LPCH	ELIMINATIONS	CONSOLIDATED
2024	$ 58,261	$ 80,028	$ 36,932	$ (19,510)	$ 155,711
2025	55,404	66,158	36,644	(18,989)	139,217
2026	54,463	55,650	34,301	(18,222)	126,192
2027	54,513	47,680	29,767	(15,900)	116,060
2028	50,840	36,536	29,757	(16,175)	100,958
Thereafter	761,409	86,015	74,227	(45,924)	875,727
TOTAL LEASE PAYMENTS	**1,034,890**	**372,067**	**241,628**	**(134,720)**	**1,513,865**
LESS IMPUTED INTEREST	**(334,517)**	**(42,055)**	**(21,242)**	**17,882**	**(379,932)**
TOTAL	**$ 700,373**	**$ 330,012**	**$ 220,386**	**$ (116,838)**	**$ 1,133,933**

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, 2023 and 2022 was $275.2 million and $251.4 million for the University, $3.9 million and $2.8 million for SHC, and $1.5 million and $1.4 million for LPCH, respectively. See *Note 6* for future minimum rental income under non-cancellable leases.

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.

LABOR AGREEMENTS

Approximately 6% of the University's, 33% of SHC's and 44% 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 2026 and the agreements with the Committee for Recognition of Nursing Achievement (CRONA) will expire in 2025. SHC's agreement with California Nurses Association (CNA) will expire in 2024.

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, 2023, the University had contractual obligations of approximately $462.7 million in connection with major construction projects. Remaining expenditures on construction in progress are estimated to be $1.3 billion, 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 $143.5 million for SHC and $119.9 million for LPCH at August 31, 2023. SHC had contractual obligations of approximately $665.7 million to support SHC's operations, such as maintenance, food services, software subscription related services, valet services and other purchased services at August 31, 2023.

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, 2023, $438.0 million was recorded to property and equipment of which $172.0 million was recorded to construction in progress and $266.0 million was capitalized to property and equipment. Estimated cost of the renewal project 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 $300.4 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

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, 2023 and 2022, SHC received CARES Act provider relief funding of $0 and $202.9 million, respectively, and LPCH received $0 and $2.1 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. CARES Act provider relief funding is subject to future audit adjustments based on compliance audits and potential changes to statutes.

20. Subsequent Events

Stanford has evaluated subsequent events for the period from August 31, 2023 through December 6, 2023, the date the *Consolidated Financial Statements* were issued.

21. Consolidating Entity Statements

The pages which follow present consolidating statements of financial position as of August 31, 2023 and 2022 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, 2023 (in thousands of dollars)

	UNIVERSITY	SHC	LPCH	ELIMINATIONS	CONSOLIDATED
ASSETS					
Cash and cash equivalents	$ 745,015	$ 611,592	$ 390,081	$ (7,744)	$ 1,738,944
Accounts receivable, net	296,435	1,184,307	695,849	—	2,176,591
Related party receivables	263,761	204,041	79,138	(546,940)	—
Prepaid expenses and other assets	104,634	519,684	126,433	(184,593)	566,158
Pledges receivable, net	2,630,956	45,182	173,837	(68,859)	2,781,116
Student loans receivable, net	37,527	—	—	—	37,527
Faculty and staff mortgages and other loans receivable, net	1,084,897	9,453	4,501	—	1,098,851
Assets limited as to use	576,510	—	75,470	—	651,980
Investments at fair value	46,856,086	4,648,525	1,313,919	7,744	52,826,274
Right-of-use assets	656,197	318,150	206,915	(116,838)	1,064,424
Plant facilities, net of accumulated depreciation	8,558,837	3,875,677	1,749,527	—	14,184,041
Works of art and special collections	—	—	—	—	—
TOTAL ASSETS	**$ 61,810,855**	**$ 11,416,611**	**$ 4,815,670**	**$ (917,230)**	**$ 77,125,906**
LIABILITIES AND NET ASSETS					
LIABILITIES:					
Accounts payable and accrued expenses	$ 1,028,884	$ 1,452,881	$ 373,730	$ —	$ 2,855,495
Liabilities associated with investments	878,955	—	—	—	878,955
Lease liabilities	700,373	330,012	220,386	(116,838)	1,133,933
Deferred income and other obligations	1,766,039	196,159	55,813	—	2,018,011
Related party liabilities	267,074	238,778	44,251	(550,103)	—
Accrued pension and postretirement benefit obligations	460,731	91,501	30,251	—	582,483
Notes and bonds payable	5,470,495	2,270,445	810,203	—	8,551,143
TOTAL LIABILITIES	**10,572,551**	**4,579,776**	**1,534,634**	**(666,941)**	**16,020,020**
NET ASSETS:					
Without donor restrictions	27,193,858	6,698,906	2,426,559	(236,176)	36,083,147
With donor restrictions	24,044,446	137,929	854,477	(14,113)	25,022,739
TOTAL NET ASSETS	**51,238,304**	**6,836,835**	**3,281,036**	**(250,289)**	**61,105,886**
TOTAL LIABILITIES AND NET ASSETS	**$ 61,810,855**	**$ 11,416,611**	**$ 4,815,670**	**$ (917,230)**	**$ 77,125,906**

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	$ 401,207	$ (7,425)	$ 2,285,765
Accounts receivable, net	296,138	1,111,913	599,587	—	2,007,638
Related party receivables	255,516	149,627	74,400	(479,543)	—
Prepaid expenses and other assets	94,164	438,304	122,565	(148,172)	506,861
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	8,903	4,567	—	997,576
Assets limited as to use	397,926	—	52,464	—	450,390
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	**$ 60,498,408**	**$ 10,664,178**	**$ 4,751,773**	**$ (830,639)**	**$ 75,083,720**
LIABILITIES AND NET ASSETS					
LIABILITIES:					
Accounts payable and accrued expenses	$ 983,033	$ 1,463,694	$ 359,030	$ —	$ 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
Related party liabilities	224,137	218,641	40,036	(482,814)	—
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	**10,091,571**	**4,546,320**	**1,563,104**	**(612,744)**	**15,588,251**
NET ASSETS:					
Without donor restrictions	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	**$ 60,498,408**	**$ 10,664,178**	**$ 4,751,773**	**$ (830,639)**	**$ 75,083,720**

CONSOLIDATING STATEMENTS OF ACTIVITIES

For the year ended August 31, 2023 (in thousands of dollars)

	UNIVERSITY	SHC	LPCH	ELIMINATIONS	CONSOLIDATED
NET ASSETS WITHOUT DONOR RESTRICTIONS					
OPERATING REVENUES:					
TOTAL STUDENT INCOME, NET	**$ 760,534**	**$ —**	**$ —**	**$ —**	**$ 760,534**
Sponsored support:					
Direct costs - University	1,059,200	32,029	2,835	—	1,094,064
Direct costs - SLAC National Accelerator Laboratory	571,654	—	—	—	571,654
Indirect costs	347,576	—	—	—	347,576
TOTAL SPONSORED SUPPORT	**1,978,430**	**32,029**	**2,835**	**—**	**2,013,294**
Health care services:					
Net patient service revenue	—	7,521,035	2,518,425	(44,013)	9,995,447
Premium revenue	—	65,386	—	—	65,386
Physicians' services and support - SHC and LPCH, net	1,577,976	—	—	(1,577,976)	—
Physicians' services and support - other facilities, net	47,419	—	—	(7,682)	39,737
TOTAL HEALTH CARE SERVICES	**1,625,395**	**7,586,421**	**2,518,425**	**(1,629,671)**	**10,100,570**
TOTAL CURRENT YEAR GIFTS IN SUPPORT OF OPERATIONS	**269,096**	**506**	**6,028**	**—**	**275,630**
Net assets released from restrictions:					
Payments received on pledges	226,255	462	—	—	226,717
Prior year gifts released from donor restrictions	137,256	6,554	4,594	—	148,404
TOTAL NET ASSETS RELEASED FROM RESTRICTIONS	**363,511**	**7,016**	**4,594**	**—**	**375,121**
Investment income distributed for operations:					
Endowment	1,736,346	1,063	12,174	—	1,749,583
Expendable funds pools and other investment income	142,156	2,628	—	—	144,784
TOTAL INVESTMENT INCOME DISTRIBUTED FOR OPERATIONS	**1,878,502**	**3,691**	**12,174**	**—**	**1,894,367**
TOTAL SPECIAL PROGRAM FEES AND OTHER INCOME	**578,913**	**242,043**	**119,905**	**(17,050)**	**923,811**
TOTAL OPERATING REVENUES	**7,454,381**	**7,871,706**	**2,663,961**	**(1,646,721)**	**16,343,327**
OPERATING EXPENSES:					
Salaries and benefits	4,887,095	3,575,799	1,298,188	—	9,761,082
Depreciation	502,091	262,712	89,018	—	853,821
Other operating expenses	2,270,698	3,618,329	1,196,153	(1,646,721)	5,438,459
TOTAL OPERATING EXPENSES	**7,659,884**	**7,456,840**	**2,583,359**	**(1,646,721)**	**16,053,362**
CHANGE IN NET ASSETS FROM OPERATING ACTIVITIES	**$ (205,503)**	**$ 414,866**	**$ 80,602**	**$ —**	**$ 289,965**

CONSOLIDATING STATEMENTS OF ACTIVITIES, Continued

For the year ended August 31, 2023 (in thousands of dollars)

	UNIVERSITY	SHC	LPCH	ELIMINATIONS	CONSOLIDATED
NET ASSETS WITHOUT DONOR RESTRICTIONS (continued)					
CHANGE IN NET ASSETS FROM OPERATING ACTIVITIES	**$ (205,503)**	**$ 414,866**	**$ 80,602**	**$ —**	**$ 289,965**
NON-OPERATING ACTIVITIES:					
Increase (decrease) in reinvested gains	(96,173)	326,565	38,424	—	268,816
Donor advised funds, net	(41,846)	—	—	—	(41,846)
Current year gifts not included in operations	822	—	—	—	822
Equity and fund transfers, net	165,453	(87,862)	(105,332)	27,741	—
Capital and other gifts released from restrictions	12,249	20,281	16,269	—	48,799
Pension and other postemployment benefit related changes other than service cost	(7,789)	(1,930)	623	—	(9,096)
Transfer from (to) net assets with donor restrictions, net	(57,781)	—	55,747	(55,747)	(57,781)
Swap interest and change in value of swap agreements	8,454	55,155	—	—	63,609
Other	37,527	(929)	496	(36,529)	565
NET CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTIONS	**(184,587)**	**726,146**	**86,829**	**(64,535)**	**563,853**
NET ASSETS WITH DONOR RESTRICTIONS					
Gifts and pledges, net	1,521,106	20,884	90,423	4,135	1,636,548
Increase (decrease) in reinvested gains	(252,663)	3,699	19,445	—	(229,519)
Change in value of split-interest agreements, net	29,596	—	1,562	—	31,158
Net assets released to operations	(363,511)	(11,213)	(22,796)	—	(397,520)
Capital and other gifts released to net assets without donor restrictions	(12,249)	(20,281)	(16,269)	—	(48,799)
Gift transfers, net	39,079	(258)	(11,080)	(27,741)	—
Transfer from (to) net assets without donor restrictions, net	57,781	—	(55,747)	55,747	57,781
Other	(3,085)	—	—	—	(3,085)
NET CHANGE IN NET ASSETS WITH DONOR RESTRICTIONS	**1,016,054**	**(7,169)**	**5,538**	**32,141**	**1,046,564**
NET CHANGE IN TOTAL NET ASSETS	**831,467**	**718,977**	**92,367**	**(32,394)**	**1,610,417**
Total net assets, beginning of year	50,406,837	6,117,858	3,188,669	(217,895)	59,495,469
TOTAL NET ASSETS, END OF YEAR	**$51,238,304**	**$6,836,835**	**$3,281,036**	**$ (250,289)**	**$ 61,105,886**

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:					
Student income:					
Undergraduate programs	$ 445,406	$ —	$ —	$ —	$ 445,406
Graduate programs	404,204	—	—	—	404,204
Room and board	267,386	—	—	—	267,386
Student financial aid	(401,531)	—	—	—	(401,531)
TOTAL STUDENT INCOME, NET	**$ 715,465**	**$ —**	**$ —**	**$ —**	**$ 715,465**
Sponsored support:					
Direct costs - University	959,202	12,051	—	—	971,253
Direct costs - SLAC National Accelerator Laboratory	524,943	—	—	—	524,943
Indirect costs	315,562	—	—	—	315,562
TOTAL SPONSORED SUPPORT	**1,799,707**	**12,051**	**—**	**—**	**1,811,758**
Health care services:					
Net patient service revenue	—	6,922,468	2,241,891	(44,258)	9,120,101
Premium revenue	—	75,310	—	—	75,310
Physicians' services and support - SHC and LPCH, net	1,440,263	—	—	(1,440,263)	—
Physicians' services and support - other facilities, net	45,924	—	—	(9,306)	36,618
TOTAL HEALTH CARE SERVICES	**1,486,187**	**6,997,778**	**2,241,891**	**(1,493,827)**	**9,232,029**
TOTAL CURRENT YEAR GIFTS IN SUPPORT OF OPERATIONS	**272,812**	**247**	**5,442**	**—**	**278,501**
Net assets released from restrictions:					
Payments received on pledges	223,148	1,029	—	—	224,177
Prior year gifts released from donor restrictions	71,514	5,138	4,750	—	81,402
TOTAL NET ASSETS RELEASED FROM RESTRICTIONS	**294,662**	**6,167**	**4,750**	**—**	**305,579**
Investment income distributed for operations:					
Endowment	1,465,657	384	9,370	—	1,475,411
Expendable funds pools and other investment income	276,518	222	—	—	276,740
TOTAL INVESTMENT INCOME DISTRIBUTED FOR OPERATIONS	**1,742,175**	**606**	**9,370**	**—**	**1,752,151**
TOTAL SPECIAL PROGRAM FEES AND OTHER INCOME	**539,338**	**395,618**	**101,722**	**—**	**1,036,678**
TOTAL OPERATING REVENUES	**6,850,346**	**7,412,467**	**2,363,175**	**(1,493,827)**	**15,132,161**
OPERATING EXPENSES:					
Salaries and benefits	4,373,184	3,344,920	1,163,765	—	8,881,869
Depreciation	487,509	269,883	94,426	—	851,818
Other operating expenses	1,978,379	3,279,571	1,099,632	(1,493,827)	4,863,755
TOTAL OPERATING EXPENSES	**6,839,072**	**6,894,374**	**2,357,823**	**(1,493,827)**	**14,597,442**
CHANGE IN NET ASSETS FROM OPERATING ACTIVITIES	**$ 11,274**	**$ 518,093**	**$ 5,352**	**$ —**	**$ 534,719**

CONSOLIDATING STATEMENTS OF ACTIVITIES, Continued

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

	UNIVERSITY	SHC	LPCH	ELIMINATIONS	CONSOLIDATED
NET ASSETS WITHOUT DONOR RESTRICTIONS (continued)					
CHANGE IN NET ASSETS FROM OPERATING ACTIVITIES	**$ 11,274**	**$ 518,093**	**$ 5,352**	**$ —**	**$ 534,719**
NON-OPERATING ACTIVITIES:					
Decrease in reinvested gains	(449,755)	(264,528)	(29,655)	—	(743,938)
Donor advised funds, net	34,611	—	—	—	34,611
Current year gifts not included in operations	5,053	—	—	—	5,053
Equity and fund transfers, net	182,342	(112,528)	(102,429)	32,615	—
Capital and other gifts released from restrictions	30,230	11,759	29,111	—	71,100
Pension and other postemployment benefit related changes other than service cost	92,527	(1,549)	(1,474)	—	89,504
Transfer from (to) net assets with donor restrictions, net	(70,233)	—	60,531	(60,531)	(70,233)
Swap interest and change in value of swap agreements	18,542	120,324	—	—	138,866
Other	21,641	8,031	2,302	(24,686)	7,288
NET CHANGE IN NET ASSETS WITHOUT DONOR RESTRICTIONS	**(123,768)**	**279,602**	**(36,262)**	**(52,602)**	**66,970**
NET ASSETS WITH DONOR RESTRICTIONS					
Gifts and pledges, net	1,437,387	9,178	215,571	17,002	1,679,138
Increase (decrease) in reinvested gains	(1,243,613)	238	(12,396)	—	(1,255,771)
Change in value of split-interest agreements, net	(59,444)	—	(3,867)	—	(63,311)
Net assets released to operations	(294,662)	(7,020)	(19,562)	—	(321,244)
Capital and other gifts released to net assets without donor restrictions	(30,230)	(11,759)	(29,111)	—	(71,100)
Gift transfers, net	38,435	3,295	(9,115)	(32,615)	—
Transfer from (to) net assets without donor restrictions, net	70,233	—	(60,531)	60,531	70,233
Other	(3,737)	(167)	—	—	(3,904)
NET CHANGE IN NET ASSETS WITH DONOR RESTRICTIONS	**(85,631)**	**(6,235)**	**80,989**	**44,918**	**34,041**
NET CHANGE IN TOTAL NET ASSETS	**(209,399)**	**273,367**	**44,727**	**(7,684)**	**101,011**
Total net assets, beginning of year	50,616,236	5,844,491	3,143,942	(210,211)	59,394,458
TOTAL NET ASSETS, END OF YEAR	**$ 50,406,837**	**$6,117,858**	**$3,188,669**	**$ (217,895)**	**$ 59,495,469**

CONSOLIDATING STATEMENTS OF CASH FLOWS

For the year ended August 31, 2023 (in thousands of dollars)

	UNIVERSITY	SHC	LPCH	ELIMINATIONS	CONSOLIDATED
CASH FLOW FROM OPERATING ACTIVITIES					
Change in net assets	$ 831,467	$ 718,977	$ 92,367	$ (32,394)	$ 1,610,417
Adjustments to reconcile change in net assets to net cash provided by (used for) operating activities:					
Depreciation	502,091	262,712	89,018	—	853,821
Amortization of bond premiums, discounts and other	25,937	(4,663)	(2,957)	—	18,317
Net gains on investments	(1,133,251)	(267,513)	(19,438)	—	(1,420,202)
Change in fair value of interest rate swaps	(9,117)	(59,644)	—	—	(68,761)
Change in split-interest agreements	17,914	—	(1,915)	—	15,999
Change in deferred tax asset and liability	5,873	—	—	—	5,873
Investment expense for restricted purposes	(15,841)	—	(7,078)	—	(22,919)
Gifts restricted for long-term investments	(980,249)	(11,491)	(15,884)	—	(1,007,624)
Equity and fund transfers, net	(204,532)	88,120	60,665	55,747	—
Gifts of securities and properties	(5,423)	—	—	—	(5,423)
Other	88,402	—	181	—	88,583
Premiums received from bond issuance	58,451	—	—	—	58,451
Changes in operating assets and liabilities:					
Accounts receivable	(4,011)	(72,394)	(96,262)	—	(172,667)
Related party receivable	(43,169)	41,447	1,722	—	—
Pledges receivable, net	(138,463)	(3,305)	25,549	(4,135)	(120,354)
Prepaid expenses and other assets	(10,307)	(62,393)	(3,702)	—	(76,402)
Accounts payable and accrued expenses	16,272	47,707	21,556	—	85,535
Accrued pension and postretirement benefit obligations	17,911	2,802	(726)	—	19,987
Lease liabilities	(23,840)	68,691	1,560	—	46,411
Deferred income and other obligations	69,524	(22,456)	(36,015)	—	11,053
NET CASH PROVIDED BY (USED FOR) OPERATING ACTIVITIES	**(934,361)**	**726,597**	**108,641**	**19,218**	**(79,905)**
CASH FLOW FROM INVESTING ACTIVITIES					
Additions to plant facilities, net	(1,120,237)	(411,295)	(90,151)	—	(1,621,683)
Faculty, student and other loans: new loans made	(157,419)	(46,968)	(11,177)	58,195	(157,369)
Faculty, student and other loans: principal collected	63,333	7,172	3,782	(10,946)	63,341
Purchases of investments	(15,139,671)	(277,162)	(11,099)	36,210	(15,391,722)
Sales and maturities of investments	15,962,058	210,276	14,022	—	16,186,356
Change associated with short term investments	(130,304)	—	—	—	(130,304)
Swap settlement payments, net	—	(5,095)	—	—	(5,095)
NET CASH PROVIDED BY (USED FOR) INVESTING ACTIVITIES	**(522,240)**	**(523,072)**	**(94,623)**	**83,459**	**(1,056,476)**
CASH FLOW FROM FINANCING ACTIVITIES					
Gifts and reinvested income for long-term purposes	482,651	11,440	69,549	—	563,640
Equity and fund transfers from Hospitals	239,456	(123,044)	(60,665)	(55,747)	—
Proceeds from related party housing loans	58,195	—	—	(58,195)	—
Repayments to related party housing loans	(10,946)	—	—	10,946	—
Proceeds from borrowing	768,114	—	—	—	768,114
Repayment of notes and bonds payable	(566,252)	(17,078)	(9,110)	—	(592,440)
Contributions received for split-interest agreements	9,791	—	—	—	9,791
Payments made under split-interest agreements	(56,651)	—	(803)	—	(57,454)
Commercial paper and variable rate debt proceeds (repayments), net	(12,299)	—	—	—	(12,299)
Securities lending collateral sold, net	(2,151)	—	—	—	(2,151)
Other	(13,446)	(54)	—	—	(13,500)
NET CASH PROVIDED BY (USED FOR) FINANCING ACTIVITIES	**896,462**	**(128,736)**	**(1,029)**	**(102,996)**	**663,701**
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**(560,139)**	**74,789**	**12,989**	**(319)**	**(472,680)**
Cash and cash equivalents, beginning of year	1,628,703	536,803	461,814	(7,425)	2,619,895
CASH AND CASH EQUIVALENTS, END OF YEAR	**$ 1,068,564**	**$ 611,592**	**$474,803**	**$ (7,744)**	**$ 2,147,215**
SUPPLEMENTAL DATA:					
Cash and cash equivalents as shown in the *Statements of Financial Position*	$ 745,015	$ 611,592	$ 390,081	$ (7,744)	$ 1,738,944
Restricted cash included in assets limited as to use	193,732	—	75,470	—	269,202
Restricted cash included in other assets	7,473	—	9,252	—	16,725
Cash and restricted cash included in investments	122,344	—	—	—	122,344
TOTAL CASH AND CASH EQUIVALENTS AS SHOWN ON THE STATEMENTS OF CASH FLOWS	**$ 1,068,564**	**$ 611,592**	**$474,803**	**$ (7,744)**	**$ 2,147,215**
Interest paid, net of capitalized interest	$ 185,001	$ 81,573	$ 33,669	$ —	$ 300,243
Change in payables for plant facilities	$ 36,265	$ 13,343	$ (380)	$ —	$ 49,228
Right-of-use assets obtained in exchange for lease liabilities	$ 1,061	$ 143,898	$ 33,370	$ —	$ 178,329

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)	(87,108)	—	(723,823)
Equity and fund transfers, net	(220,777)	109,233	55,937	55,607	—
Gifts of securities and properties	(22,698)	—	—	—	(22,698)
Other	55,895	—	(35,214)	—	20,681
Changes in operating assets and liabilities:					
Accounts receivable	(56,034)	(222,993)	(21,652)	61,151	(239,528)
Related party receivable	(26,999)	33,435	54,715	(61,151)	—
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	**(670,223)**	**751,519**	**162,130**	**30,921**	**274,347**
CASH FLOW FROM INVESTING ACTIVITIES					
Additions to plant facilities, net	(490,801)	(365,946)	(68,273)	—	(925,020)
Faculty, student and other loans: new loans made	(179,632)	(45,741)	(20,205)	66,076	(179,502)
Faculty, student and other loans: principal collected	77,393	10,285	5,368	(15,733)	77,313
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**	**(515,714)**	**(85,934)**	**74,996**	**(65,425)**
CASH FLOW FROM FINANCING ACTIVITIES					
Gifts and reinvested income for long-term purposes	531,865	10,272	52,970	—	595,107
Equity and fund transfers from Hospitals	212,307	(100,733)	(55,967)	(55,607)	—
Proceeds from related party housing loans	66,076	—	—	(66,076)	—
Repayments to related party housing loans	(15,733)	—	—	15,733	—
Proceeds from borrowing	37,953	—	230,594	—	268,547
Repayment of notes and bonds payable	(7,898)	(15,581)	(239,898)	—	(263,377)
Contributions received for split-interest agreements	17,676	—	2,726	—	20,402
Payments made under split-interest agreements	(57,515)	—	(819)	—	(58,334)
Securities lending collateral sold, net	(7,696)	—	—	—	(7,696)
Other	(7,215)	(4)	(2,182)	—	(9,401)
NET CASH PROVIDED BY (USED FOR) FINANCING ACTIVITIES	**769,820**	**(106,046)**	**(12,576)**	**(105,950)**	**545,248**
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	**560,824**	**129,759**	**63,620**	**(33)**	**754,170**
Cash and cash equivalents, beginning of year	1,067,879	407,044	398,194	(7,392)	1,865,725
CASH AND CASH EQUIVALENTS, END OF YEAR	**$ 1,628,703**	**$ 536,803**	**$ 461,814**	**$ (7,425)**	**$ 2,619,895**
SUPPLEMENTAL DATA:					
Cash and cash equivalents as shown in the *Statements of Financial Position*	$ 1,355,180	$ 536,803	$ 401,202	$ (7,425)	$ 2,285,760
Restricted cash and cash equivalents included in assets limited as to use	81,946	—	52,464	—	134,410
Restricted cash included in other assets	12,382	—	8,148	—	20,530
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

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