

Financial Report

Included in the following pages are highlights of the University's 2021–2022 fiscal year financial results, as well as key excerpts from the University's consolidated financial statements.

Statement of Financial Position

ASSETS

The largest categories within the University's \$3.1 billion asset balance are investments and capital assets. The University's endowment fund comprises the majority of the University's investment balance (see "Endowment Review" on page 19) and experiences growth based on donor support and investment return net of operating distributions. Significant capital projects in process or recently completed include renovations to Chandler-Ullmann Hall, the Lehigh Business Building Expansion, and continued progress on new residential housing facilities.

LIABILITIES

The Bonds, Loans and Notes Payable balance of \$499 million comprises the largest liability balance on the consolidated financial statements. The University's debt balance includes a diversified mix of fixed and variable rate, and taxable and tax-exempt obligations. In support of the tax-exempt debt portfolio, the University has entered into interest rate exchange agreements that effectively minimize the variable rate exposure and/or reduce the University's effective interest rate. In fiscal year 2021–2022, the University's balance sheet also includes a \$44.4 million asset (in Property, Plant and Equipment) and corresponding liability (in Other Liabilities) relating to the SouthSide Commons residential facility that is operated by a third party under the terms of a ground lease.

NET ASSETS

The University's Net Assets balance of over \$2.4 billion is classified as "with donor restrictions" or "without donor restrictions" in accordance with accounting standards. Net assets without donor restrictions are free of donor restrictions but may be designated for specific purposes by action of the Board of Trustees or senior management. Net assets with donor restrictions include net assets with donor-imposed restrictions that may be met by actions of the University or by the passage of time as well as net assets that are subject to permanent donor restrictions. Donors of these assets generally permit the University to use all or part of the investment income on related investments for general or specific purposes in accordance with a Board-approved spending policy.

Statement of Activities

OPERATING REVENUES

Net Tuition Revenue and Investment Return comprise the two largest sources of unrestricted operating revenue, representing 56% and 22% of the consolidated total in fiscal year 2021–2022. Tuition and fee revenue is reported net of related scholarships.

Operating Investment Return includes \$70.4 million of distributed earnings from the University endowment fund. The University's policy for the distribution of endowment earnings is based on a three-year moving average market value that includes a ceiling and floor to insulate program spending from significant market fluctuations. While the \$70.4 million of distributed earnings from the university endowment must be used according to the specified purpose of each fund, the payout touches all areas of the university and demonstrates the ongoing commitment to financial aid with more than 46 percent of the university's donor restricted endowment designated for scholarships and fellowships. In fiscal year 2021–2022, institutional financial aid was provided to more than 50 percent of undergraduate students, with an average need-based aid award of just over \$49,313.

OPERATING EXPENSE

The University continues to manage its expenses responsibly, aligning institutional resources from all sources to support its mission of education, research and public service. Salaries and benefits comprise approximately one-half of the University's annual operating expense.

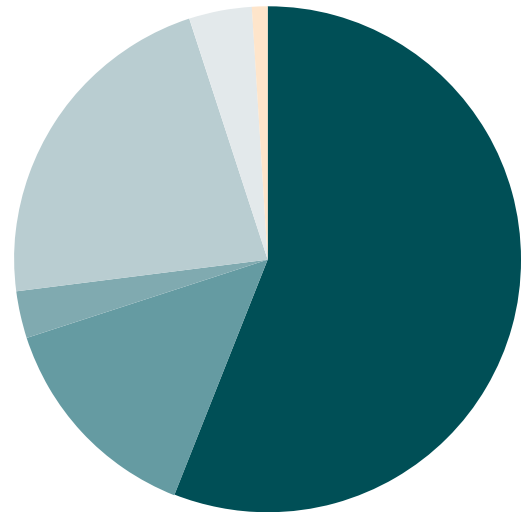
NONOPERATING ACTIVITY

Nonoperating activity includes transactions of a long-term investment nature or that indirectly relate to core activities. Examples include contributions restricted for campus improvements, contributions restricted because of donor-imposed stipulations, income and expense resulting from certain fair-value adjustments, and investment returns from endowment net of earnings distributed for operations.

Fiscal Year 2021–2022 Operating Revenue Sources

(\$ in thousands)

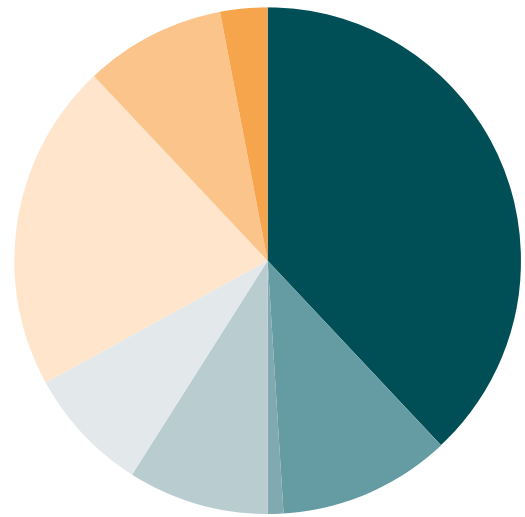
TUITION & AUXILIARIES	\$ 270,335	56%
GRANTS & CONTRACTS	62,959	14%
CONTRIBUTIONS	14,958	3%
INVESTMENT RETURN	85,324	22%
INDEPENDENT OPERATIONS	15,274	4%
OTHER SOURCES	9,550	1%
	\$ 458,400	100%



Fiscal Year 2021–2022 Operating Expense by Functional Category

(\$ in thousands)

INSTRUCTION	\$ 161,964	38%
RESEARCH	59,265	11%
PUBLIC SERVICE	4,193	1%
ACADEMIC SUPPORT	41,409	9%
STUDENT SERVICES	43,486	8%
INSTITUTIONAL SUPPORT	84,944	21%
AUXILIARY ENTERPRISES	48,658	9%
INDEPENDENT OPERATIONS	11,032	3%
	\$ 454,951	100%



Fiscal Year 2021–2022 Operating Expenses by Natural Category

(\$ in thousands)

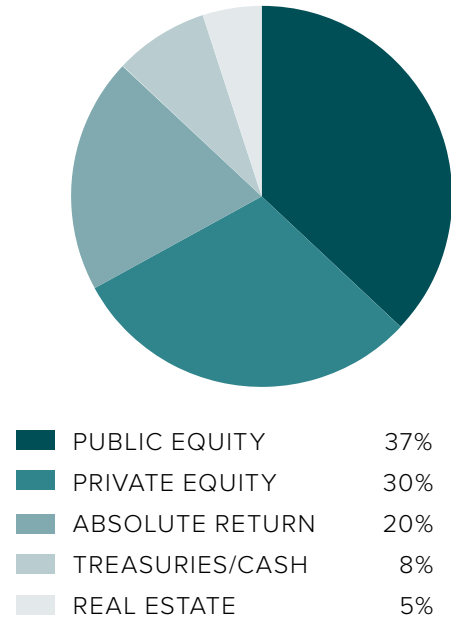
SALARIES & WAGES	\$ 190,690	48%
EMPLOYEE BENEFITS	62,177	11%
PURCHASED SERVICES	41,437	8%
OCCUPANCY	37,166	8%
DEPRECIATION	38,288	9%
INTEREST	15,534	3%
INDEPENDENT OPERATIONS	11,302	3%
OTHER BUSINESS EXPENSES	60,627	10%
	\$ 456,951	100%



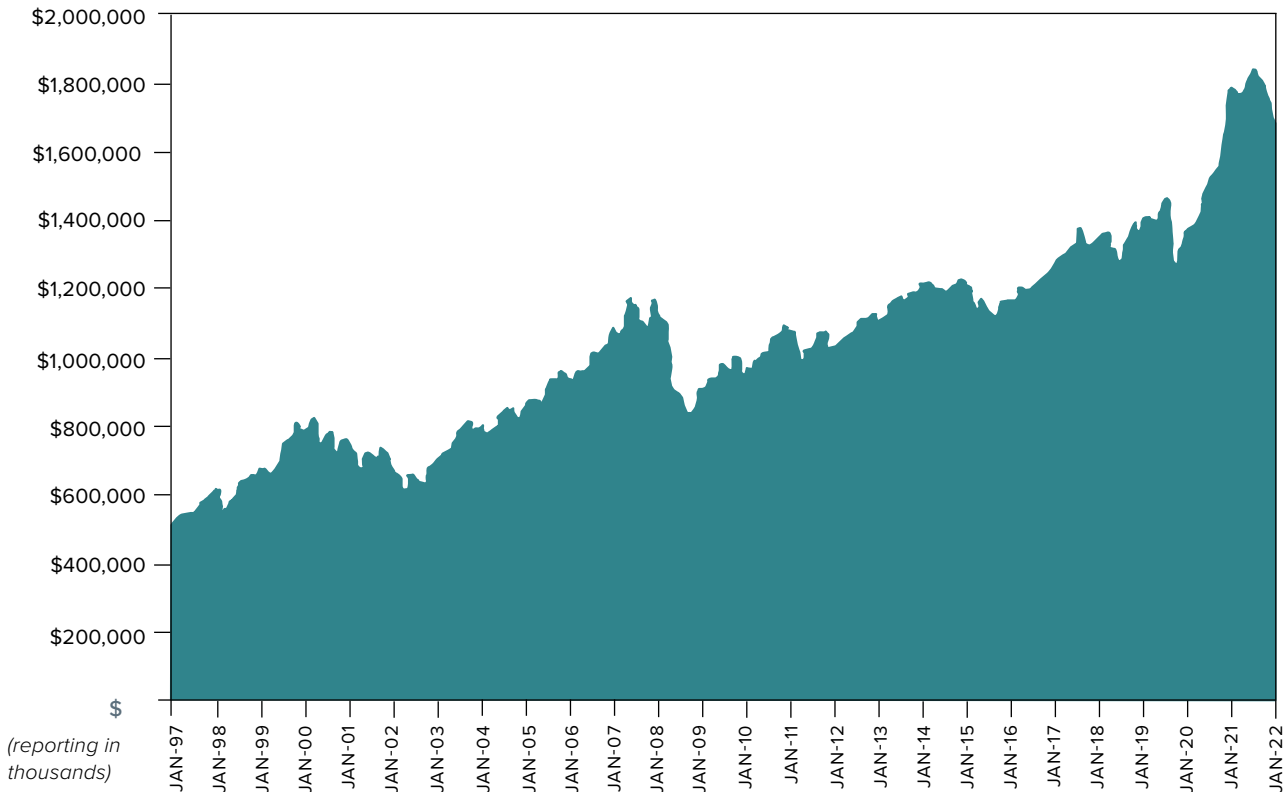
Endowment Review

The Endowment declined -2.7% for fiscal year 2021–2022, net of all fees. While the public equity asset class generated negative performance consistent with the precipitous decline in equity markets, we were able to offset losses with significant positive performance across the real estate, absolute return, and private equity asset classes. The real estate portfolio was the top performing asset class, generating a +22% return through both meaningful rental growth and higher sales prices. The absolute return portfolio was the top performing asset class, generating a +22% return through both meaningful rental growth and higher sales prices. The absolute return portfolio was the top performing asset class, generating a +22% return through both meaningful rental growth and higher sales prices. The absolute return portfolio was the top performing asset class, generating a +22% return through both meaningful rental growth and higher sales prices.

Lehigh Endowment Target Asset Allocation



Endowment Fund Growth History



Lehigh University

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

Year Ended June 30, 2022

(with comparative financial information for year ended June 30, 2021) (in thousands)

ASSETS	2022	2021
Cash and cash equivalents	\$ 48,933	54,709
Accounts receivable, net	19,718	18,479
Prepaid expenses and other assets	15,835	6,609
Contributions receivable, net	28,884	35,074
Notes receivable, net	9,099	9,217
Investments	2,270,345	2,419,105
Funds held in trust by others	4,887	5,941
Property, plant and equipment, net	725,439	671,421
Total assets	\$ 3,123,140	3,220,555

LIABILITIES AND NET ASSETS	2022	2021
Accounts payable and accrued expenses	\$ 53,596	44,971
Deferred revenues	16,418	14,180
Annuity payment obligations	17,248	18,076
Other liabilities	103,017	121,405
Bonds, loans and notes payable	498,592	505,244
Total liabilities	688,871	703,876
Net assets:		
Without donor restrictions	1,198,209	1,212,498
With donor restrictions	1,236,060	1,304,181
Total net assets	2,434,269	2,516,679
Total liabilities and net assets	\$ 3,123,140	3,220,555

Lehigh University

CONSOLIDATED STATEMENT OF ACTIVITIES

Year Ended June 30, 2022

(with comparative financial information for year ended June 30, 2021) (in thousands)

SUPPORT AND REVENUES	2022			2021
	Without Donor Restrictions	With Donor Restrictions	Total	
Tuition and fees, net	\$ 217,933	—	217,933	199,110
Federal grants and contracts	50,614	—	50,614	41,825
State and local grants and contracts	7,861	—	7,861	9,303
Private grants and contracts	4,484	—	4,484	3,801
Contributions	14,958	—	14,958	13,011
Investment return, net	85,324	—	85,324	85,497
Auxiliary enterprises, net	52,402	—	52,402	21,296
Independent operations	15,274	—	15,274	13,149
Other sources	9,550	—	9,550	3,668
Net assets released from restrictions	2,356	(2,356)	—	—
Total support and revenues	\$ 460,756	(2,356)	458,400	390,660
EXPENSES				
Salaries and wages	190,690	—	190,690	185,972
Employee benefits	62,177	—	62,177	44,727
Purchased services	41,437	—	41,437	30,144
Occupancy	37,166	—	37,166	30,217
Depreciation	38,288	—	38,288	34,300
Interest	13,534	—	13,534	11,937
Independent operations	11,032	—	11,032	11,127
Other business expenses	60,627	—	60,627	42,222
Total expenses	454,951	—	454,951	390,646
Operating income (loss)	5,805	(2,356)	3,449	14

Lehigh University

CONSOLIDATED STATEMENT OF ACTIVITIES (CONTINUED)

Year Ended June 30, 2022

(with comparative financial information for year ended June 30, 2021) (in thousands)

NONOPERATING ACTIVITY	2022			2021
	Without Donor Restrictions	With Donor Restrictions	Total	
Investment return, net				
University	\$ (60,661)	(77,730)	(138,391)	460,203
Independent operations	(7,373)	—	(7,373)	5,573
Gifts and trusts	2,455	28,520	30,975	23,632
Net assets released from restrictions and changes in donor intent	18,435	(18,435)	—	—
Change in fair value of interest rate swaps	14,310	—	14,310	11,732
Post-retirement plan changes other than net periodic benefit cost:				
University	13,580	—	13,580	1,618
Independent operations	364	—	346	46
Net periodic benefit costs other than service costs:				
University	(1,924)	—	(1,924)	(1,850)
Independent operations	(60)	—	(60)	(57)
Other	798	1,880	2,678	(1,094)
Nonoperating (loss) income	(20,094)	(65,765)	(85,859)	499,803
Change in net assets	(14,289)	(68,121)	(82,410)	499,817
Net assets, beginning of year	1,212,498	1,304,181	2,516,679	2,016,862
Net assets, end of year	\$ 1,198,209	1,236,060	2,434,269	2,516,679