THE CORPORATION OF MERCER UNIVERSITY AND ITS SUBSIDIARIES

Consolidated Financial Statements

June 30, 2024 and 2023

(With Independent Auditors' Report Thereon)

KPMG LLP
Suite 2000
303 Peachtree Street, N.E.
Atlanta, GA 30308-3210

Independent Auditors' Report

The Board of Trustees
The Corporation of Mercer University:

Opinion

We have audited the consolidated financial statements of The Corporation of Mercer University and its subsidiaries (the University), which comprise the consolidated statements of financial position as of June 30, 2024 and 2023, and the related consolidated statements of activities and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the University as of June 30, 2024 and 2023, and the changes in its net assets and its cash flows for the years then ended in accordance with U.S. generally accepted accounting principles.

Basis for Opinion

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

Responsibilities of Management for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with U.S. generally accepted accounting principles, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of 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 the University's ability to continue as a going concern for one year after the date that 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 GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with 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 the University's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the University's ability to continue as a going concern for a reasonable period of time.

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

KPMG LLP

Atlanta, Georgia
October 14, 2024

THE CORPORATION OF MERCER UNIVERSITY
AND ITS SUBSIDIARIES

Consolidated Statements of Financial Position

June 30, 2024 and 2023

Assets		**2024**	**2023**
Cash and cash equivalents	$	49,523,221	68,245,364
Bond project fund		1,988,987	11,804,959
Accrued interest receivable		1,291,742	1,186,673
Accounts receivable, less allowance for uncollectible accounts of $3,117,441 and $2,849,261 at June 30, 2024 and 2023, respectively		21,036,463	15,850,417
Inventories		776,884	777,068
Contributions receivable, net (note 2)		1,480,461	1,856,753
Student loans receivable, net (note 3)		8,251,484	8,196,220
Due from related entity, net (note 18)		339,304	409,875
Notes receivable from related entities ,net (note 18)		3,778,506	3,792,239
Note receivable (note 1(f))		12,250,000	12,250,000
Investments (note 4)		404,073,246	406,187,637
Remainder interest trusts		6,213,347	6,033,520
Beneficial interests in perpetual trusts		80,715,989	75,353,423
Other assets		10,226,335	9,765,735
Property and equipment, net (notes 6 and 10)		436,604,380	426,607,170
Total assets	$	1,038,550,349	1,048,317,053
Liabilities and Net Assets			
Accounts payable, deposits, and accrued expenses	$	21,075,106	23,498,699
Accrued postretirement benefits (note 17)		737,463	593,585
Deferred revenue		11,510,665	11,481,748
Lease obligations (note 10)		2,912,787	3,380,460
Notes payable (note 7)		57,578,482	60,472,601
Annuity obligations		2,754,618	2,830,761
Asset retirement obligations (note 6)		3,999,403	4,063,813
Interest rate swaps (note 9)		317,000	261,631
Bonds payable, net (note 8)		203,351,983	266,244,944
Advances from federal government and others		16,276,172	13,562,666
Total liabilities		320,513,679	386,390,908
Net assets:			
Without donor restrictions		308,474,668	297,585,017
With donor restrictions (note 14)		409,562,002	364,341,128
Total net assets		718,036,670	661,926,145
Total liabilities and net assets	$	1,038,550,349	1,048,317,053

See accompanying notes to consolidated financial statements.

THE CORPORATION OF MERCER UNIVERSITY
AND ITS SUBSIDIARIES

Consolidated Statements of Activities

Years ended June 30, 2024 and 2023

	2024	2023
Changes in net assets without donor restrictions:		
Operating revenue and other support:		
Tuition and fees	$ 170,167,616	169,167,134
Government contracts	81,093,777	78,195,151
Private gifts and contracts	5,488,172	6,254,107
Sales and services of auxiliary enterprises	59,737,123	56,602,575
Investment income, net	4,404,974	7,425,656
Other revenue	2,264,989	313,716
Net assets released from restrictions (note 15)	20,936,142	13,497,931
Total operating revenue and other support	344,092,793	331,456,270
Operating expenses (note 13):		
Instruction	127,187,476	120,637,888
Research	44,331,263	41,425,064
Public service	4,573,637	2,869,754
Academic support	34,848,107	31,457,222
Student services	31,825,212	30,746,765
Institutional support	20,688,861	21,014,589
Auxiliary enterprises	80,077,989	73,175,105
Total operating expenses	343,532,545	321,326,387
Operating income	560,248	10,129,883
Nonoperating revenue (expenses):		
Net realized gains on investments	31,608,580	2,915,737
Net unrealized (losses) gains on investments	(19,189,782)	14,244,648
Change in fair value of interest rate swaps, net (note 9)	(55,369)	483,215
Loan administration and other expenses	(2,327,066)	(1,914,859)
Amortization of bond premium/discount and issuance costs	387,410	1,216,633
Loss on disposal of fixed assets	(14,902)	(472,019)
Other	(79,468)	258,413
Total nonoperating revenue	10,329,403	16,731,768
Change in net assets without donor restrictions	10,889,651	26,861,651

THE CORPORATION OF MERCER UNIVERSITY
AND ITS SUBSIDIARIES

Consolidated Statements of Activities

Years ended June 30, 2024 and 2023

		2024	2023
Change in net assets with donor restrictions:			
Government grants and contracts	$	—	2,675
Private gifts, grants, and contracts		16,395,868	17,274,142
Net change in beneficial interests in perpetual trusts		5,346,190	1,851,042
Income on investments		6,328,565	2,453,693
Other transfers		739,947	2,592,399
Change in split-interest obligations		60,936	250,667
Net realized gains (losses) on investments		1,118,478	(64,931)
Net unrealized gains on investments		36,167,032	15,810,843
Net assets released from restrictions		(20,936,142)	(13,497,931)
Change in net assets with donor restrictions		45,220,874	26,672,599
Total change in net assets		56,110,525	53,534,250
Net assets at beginning of year		661,926,145	608,391,895
Net assets at end of year	$	718,036,670	661,926,145

See accompanying notes to consolidated financial statements.

THE CORPORATION OF MERCER UNIVERSITY
AND ITS SUBSIDIARIES

Consolidated Statements of Cash Flows

Years ended June 30, 2024 and 2023

		2024	2023
Cash flows from operating activities:			
Change in net assets	$	56,110,525	53,534,250
Adjustments to reconcile change in net assets to net cash provided by operating activities:			
Depreciation gains on investments		22,887,516	20,968,812
Net realized gains on investments		(32,727,058)	(2,850,806)
Net unrealized gains on investments		(16,977,250)	(30,055,491)
Net change in split-interest agreements		(179,827)	250,667
Net change in beneficial interests in perpetual trusts		(5,362,566)	(1,851,042)
Change in fair value of interest rate swaps		55,369	(483,215)
Private gifts restricted for long-term use		(3,831,073)	(3,861,460)
Loss on disposal of property and equipment		14,902	472,019
Amortization of bond discount/premium		(632,809)	(1,430,056)
Amortization of bond issuance costs		245,400	213,423
Receipt of agency funds (Federal Direct Student Loans)		127,420,536	127,439,264
Disbursement of agency funds (Federal Direct Student Loans)		(127,420,536)	(127,439,264)
Changes in assets and liabilities:			
Increase in accrued interest receivable		(105,069)	(155,720)
Increase in accounts receivable		(5,186,046)	(1,680,778)
Decrease (increase) in inventories		184	(9,081)
Decrease in contributions receivable		376,292	57,145
Decrease in due from related entities		84,304	69,507
Increase in other assets		(460,600)	(1,352,667)
Decrease (increase) in accounts payable, deposits, and accrued expenses		(3,967,394)	1,449,132
Increase (decrease) in accrued postretirement benefits		143,878	(97,599)
Increase (decrease) in deferred revenue		28,917	(1,240,734)
Decrease in asset retirement obligation		(64,410)	(258,413)
Net cash provided by operating activities		10,453,185	31,687,893
Cash flows from investing activities:			
Purchases of property and equipment		(31,355,827)	(42,843,058)
Proceeds from sale of property and equipment		—	348,730
Student loans awarded		(1,741,209)	(918,805)
Proceeds from student loan repayments		1,685,945	1,778,225
Proceeds from sales of investments		58,653,111	1,720,935
Purchases of investments		(6,834,412)	(5,218,121)
Net cash provided by (used in) investing activities		20,407,608	(45,132,094)

(Continued)

THE CORPORATION OF MERCER UNIVERSITY
AND ITS SUBSIDIARIES

Consolidated Statements of Cash Flows

Years ended June 30, 2024 and 2023

		2024	2023
Cash flows from financing activities:			
Payments on finance lease obligations	$	(29,435)	(33,870)
Payments on other liabilities/financing obligation		(438,238)	(63,972)
Payments on bonds payable		(62,505,552)	(8,134,300)
Payments on notes payable		—	(4,882,748)
Proceeds from notes payable		(2,894,119)	12,250,000
Proceeds from bonds payable		—	28,846,765
Payments on bonds issuance costs		—	(1,171,716)
Receipts from advances from federal government and others, net		2,713,506	308,262
Proceeds from private gifts and grants restricted for long-term investment		3,831,073	3,861,460
Payments on annuity obligations, net		(76,143)	(185,682)
Net cash (used in) provided by financing activities		(59,398,908)	30,794,199
Net (decrease) increase in cash & cash equivalents		(28,538,115)	17,349,998
Cash, cash equivalents, and restricted cash at beginning of year		80,050,323	62,700,325
Cash, cash equivalents, and restricted cash at end of year	$	51,512,208	80,050,323
Reconciliation of cash, cash equivalents, and restricted cash:			
Cash and cash equivalents	$	49,523,221	68,245,364
Bond project fund		1,988,987	11,804,959
Total cash, cash equivalents, and restricted cash	$	51,512,208	80,050,323
Supplemental disclosure:			
Cash paid for interest	$	13,773,526	13,879,220
Noncash activities:			
Property and equipment purchases included in accounts payable	$	1,543,801	1,328,848

See accompanying notes to consolidated financial statements.

(1) Summary of Significant Accounting Policies

(a) Description of the University

The Corporation of Mercer University (the University) is a multicampus, private, faith-based, coeducational, not-for-profit institution of higher education and research. The University's programs include liberal arts, business, engineering, education, medicine, nursing, pharmacy, law, theology, music, and health professions.

The accompanying consolidated financial statements include the accounts of the University and its wholly owned subsidiaries. Significant intercompany balances and transactions have been eliminated in consolidation.

The University is the sole member of Bell House Manager, LLC, which was formed as a single-member limited liability company on July 14, 2014 to manage, maintain, invest in, and operate the Historic Bell House property through a 1% ownership interest in Historic Bell House, LLC (HBH), in such a manner that it qualifies for the historic rehabilitation tax credit allowed for qualified rehabilitation expenditures incurred in connection with the certified rehabilitation of a certified historic structure (the Historic Tax Credit) pursuant to Section 47 of the Internal Revenue Code (the Code) and for certain state historic tax credits by the State of Georgia. During December 2020, Bell House Manager, LLC acquired 100% ownership interest in HBH.

The University is the sole member of the Tattnall Arts Manager, LLC, which was formed as a single-member limited liability company on December 10, 2014 to manage, maintain, invest in, and operate the Tattnall Square Center for the Arts property through a 1% ownership interest in Tattnall Square Center for the Arts, LLC (TSCA), in such a manner that it qualifies for the Historic Tax Credit. During 2020, Tattnall Arts Manager, LLC acquired 100% ownership interest in TSCA.

The University is the sole member of Mercer GSA, LLC, which was formed as a single-member limited liability company on September 30, 2015 to facilitate the assumption of debt and transfer of property and equipment that is described in more detail in note 6.

The University is the sole member of Historic Capricorn Studios Manager, LLC, which was formed as a single-member limited liability company on April 13, 2017 to manage, maintain, invest in, and operate the Historic Capricorn Studios property through a 1% ownership interest in Historic Capricorn Studios, LLC (HCS), in such a manner that it qualifies for the Historic Tax Credit.

The University is the sole member of Historic New York Café Manager, LLC, which was formed as a single-member limited liability company on February 15, 2018 to manage, maintain, invest in, and operate the Historic New York Café property through a 1% ownership interest in Historic New York Café, LLC (HNYC), in such a manner that it qualifies for the Historic Tax Credit.

(b) Basis of Presentation

Net assets and revenue, expenses, gains, and losses of the University are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified and reported as follows:

Net assets without donor restrictions – Net assets that are not subject to donor-imposed stipulations and include revenue, gains, and losses that are not restricted by donors; all expenses are reported as decreases in net assets without donor restrictions.

Net assets with donor restrictions – Net assets subject to donor-imposed stipulations that may or will be met either by actions of the University and/or the passage of time. Net assets included in this class include unconditional gifts for restricted purposes and donor-restricted endowment funds.

Generally, donor-imposed restrictions of endowment funds permit the University to use all or part of the income earned on related investments only for certain general or specific purposes. Expirations of donor restrictions on net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as net assets released from restrictions in the consolidated statements of activities.

(c) Revenue Recognition

Under Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 606, *Revenue from Contracts with Customers*, revenue is recognized when control of the promised goods or services is transferred in an amount that reflects the consideration to which an entity expects to be entitled in exchange for those goods or services (i.e., the transaction price).

The University's operating revenue is primarily derived from academic programs provided to students, including undergraduate, graduate, and professional degree granting programs. Tuition and fees revenue is earned by the University for these educational services delivered during an academic term. Tuition is charged at different rates depending on the program in which the student is enrolled. As part of a student's course of instruction, certain fees, such as technology fees and laboratory fees, are billed to students. Tuition and fees are earned over the applicable academic term and are not considered separate performance obligations.

Tuition and fees consisted of the following for the years ended June 30, 2024 and 2023:

		2024	2023
Undergraduate tuition and fees at stated rates	$	164,644,983	163,141,677
Graduate tuition and fees at stated rates		110,060,000	103,175,809
Institutional aid		(93,348,757)	(88,441,734)
Scholarships		(11,188,610)	(8,708,618)
Total	$	170,167,616	169,167,134

Tuition scholarships awarded by the University represent a reduction of the tuition transaction price. The University awards both need-based and merit-based scholarships. Scholarships are generally awarded for the academic year and are applied to the students' account during each academic term.

Students pay tuition and fees (net of scholarships) through a variety of funding sources, including federal loan and grant programs, state grant programs, institutional payment plans, employer reimbursement, Veterans' Administration and other military funding and grants, private and institutional scholarships and borrowings, and cash payments.

Revenue from student education, residence, and dining services is reflected net of reductions from institutional student aid and is recognized as the services are provided over the academic year, which generally aligns with the University's fiscal year. Aid in excess of a student's tuition and fees is either reflected as a reduction of residence and dining charges or provided as a refund to the student. Scholarship disbursements made directly to students for living or other costs are reported as an expense.

Auxiliary enterprises revenue consisted of the following for the years ended June 30, 2024 and 2023:

		2024	2023
Residence and dining services, net of scholarships	$	28,196,075	26,078,162
Athletics and retail operations		5,364,392	5,136,427
General Services Administration lease income (note 6)		5,719,898	5,674,569
Clinic revenue		9,343,636	10,154,682
Bookstore		2,834,952	2,631,597
Telehealth		1,738,579	1,024,708
Other		6,539,591	5,902,430
Total	$	59,737,123	56,602,575

Other auxiliary sales and services include revenue from clinical operations, telecommunications, and other miscellaneous activities. Such revenue is recognized when goods or services are provided to customers.

Revenue from contracts entered into specifically with the U.S. Department of Defense is treated as exchange transactions as each party is receiving and sacrificing approximately commensurate value.

Revenue is reported as an increase in net assets without donor restrictions unless use of the related assets is limited by donor-imposed purpose or time restrictions. Expenses are reported as decreases in net assets without donor restrictions. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulation, time, or by law.

(d) Contribution Revenue

Grants and contracts awarded by federal agencies and other sponsors, which are generally considered nonreciprocal transactions restricted by sponsors for certain purposes, are recognized as revenue when qualifying expenditures are incurred and conditions under the agreements are met. The University has elected the simultaneous release policy available under Accounting Standards Update (ASU) No. 2018-08, *Not-for-Profit Entities: Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made*, which allows a not-for-profit organization to recognize a restricted contribution directly in net assets without donor restrictions if the restriction is met in the same period that the revenue is recognized. Total revenue from grants recognized in net assets without donor restrictions under the simultaneous release policy was $39,676,292 and $38,750,946 for the years ended June 30, 2024 and 2023, respectively, and is included in government contracts in the accompanying consolidated statements of activities.

All other donor-restricted contributions are reported as increases in net assets with donor restrictions. When a restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions.

Contributions, including unconditional promises to give, are recognized as revenue in the period received. Conditional promises to give are not recognized until they become unconditional, that is, when the conditions on which they depend are met. Contributions are initially recorded at their estimated fair value. Contributions to be received after one year are discounted at a rate commensurate with the risks involved to reflect the estimated present value of future cash flows. Amortization of discounts is recorded as additional contribution revenue in accordance with donor-imposed restrictions, if any, on the contributions. An allowance for uncollectible contributions receivable is provided based on management’s judgment and analysis, including such factors as prior collection history, type of contribution, and other relevant factors.

(e) Inventories

Inventories consist primarily of books published by the University and are stated at the lower of cost or market.

(f) Note Receivable

The University is the 50% owner of Century Center Holdings, LLC (CCH), which was formed on January 28, 2019 with LaGrange College (LaGrange), the other 50% owner of the entity, solely for the purpose of holding land that was jointly received as part of a gift from an estate. The real estate assets from the gift were transferred into CCH on February 13, 2019, and the University has recorded its proportional share of the land at fair value of the underlying real estate assets in investments.

During fiscal year 2020, the University purchased LaGrange’s 50% membership interest and then subsequently sold the 50% membership interest acquired from LaGrange to an unrelated third party in exchange for cash of $250,000 and a note receivable in the amount of $12,250,000 bearing interest at a rate of 2% per annum. All accrued and unpaid interest on the note is due and payable in installments on the first day of each month commencing on May 1, 2020, and all accrued and unpaid interest and principal on the note is due and payable on March 26, 2030.

(g) Investments

Marketable securities are carried at fair value, as determined by quoted market prices. Real estate investments are carried at fair value based on appraised value as of the financial reporting date. Nonmarketable securities are those for which there is no public market. Nonmarketable securities, primarily partnerships, are reported using the estimated net asset value (NAV) as a practical expedient as determined by the general partner of the partnership using the latest available information at the valuation date. Factors considered in valuing individual securities include the financial condition and operating results of the portfolio companies, the nature and duration of restriction on disposition of the securities, changes in the circumstances and prospects of the issuer, and any other factors which the general partner considers to be relevant. These factors are assessed by the University. Due to inherent uncertainty of valuing these types of securities, the general partners' estimates of fair value may differ significantly from the values that would have been used had ready markets existed for the securities, and the difference could be material. The net realized and unrealized gains and losses on investments are reflected in the consolidated statements of activities.

(h) Beneficial Interests in Perpetual Trusts and Remainder Interest Trusts

The University is the beneficiary of various trusts created by donors, the assets of which are not in the possession of the University. The University has legally enforceable rights or claims to such assets, including the sole right to income therefrom. The change in value of beneficial interests in perpetual trusts is reported as a change in net assets with donor restrictions in the consolidated statements of activities. The fair value of the trust is measured using the fair value of the underlying trust assets.

The University is the remainder beneficiary under agreements for certain trusts. At the time of receipt, a contribution is recorded based on the fair value of assets donated, less the estimated annuity payment liability. The liability is recognized at the present value of projected future distributions to be paid to the donor or other designee. The remainder interest of such gifts has been classified within net assets based on the existence or absence of donor restrictions.

(i) Property and Equipment

Property and equipment are stated at cost at date of acquisition or fair value at date of donation in the case of gifts. Property and equipment owned by the federal government and used by the University for certain grants are not included in the accompanying consolidated financial statements. The University capitalizes interest cost as a component of construction in progress during the construction of its qualifying projects.

Depreciation is provided over the estimated useful lives of the respective assets on a straight-line basis. A summary of depreciable lives is as follows:

Buildings, residences, and other structures	70 Years
Building components (roofing, HVAC, and other)	10–20 Years
Equipment, software, furniture, and other assets	5–20 Years

(j) Leases

The University is a lessee in several noncancelable (1) operating leases, primarily for medical and office equipment and office space and (2) finance leases for medical equipment.

The University accounts for leases in accordance with FASB ASC Topic 842, *Leases* (note 10). The University determines if an arrangement is or contains a lease at contract inception and recognizes a right-of-use (ROU) asset and a lease liability at the lease commencement date.

For operating leases, the lease liability is initially and subsequently measured at the present value of the unpaid lease payments at the lease commencement date and as of June 30, respectively. For finance leases, the lease liability is initially measured in the same manner and date as for operating leases and is subsequently measured at amortized cost using the effective-interest method. The rate implicit in the lease or the incremental borrowing rate for the related term is used to discount lease payments based on information available at lease commencement. Generally, the University uses its incremental borrowing rate as the discount rate for its leases.

Key estimates and judgments include how the University determines the discount rate it uses to discount the unpaid lease payments to present value, lease term, and lease payments.

The ROU asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for lease payments made at or before the lease commencement date, plus any initial direct costs incurred less any lease incentives received.

For operating leases, the ROU asset is subsequently measured throughout the lease term at the carrying amount of the lease liability, plus initial direct costs, plus (minus) any prepaid (accrued) lease payments, less the unamortized balance of lease incentives received. Lease expense for lease payments is recognized on a straight-line basis over the lease term.

For finance leases, the ROU asset is subsequently amortized using the straight-line method from the lease commencement date to the earlier of the end of its useful life or the end of the lease term unless the lease transfers ownership of the underlying asset to the University or the University is reasonably certain to exercise an option to purchase the underlying asset. In those cases, the ROU asset is amortized over the useful life of the underlying asset. Amortization of the ROU asset is recognized and presented separately from interest expense on the lease liability.

ROU assets for operating and finance leases are periodically reduced by impairment losses. The University uses the long-lived assets impairment guidance in ASC Subtopic 360-10, *Property, Plant, and Equipment – Overall*, to determine whether an ROU asset is impaired, and if so, the amount of the impairment loss to recognize. See note 1(k).

Under the short-term lease exemption under ASC 842, the University has elected not to recognize ROU assets and lease liabilities for short-term leases of office equipment and advertising structures that have a lease term of 12 months or less. The University recognizes the lease payments associated with its short-term leases as an expense on a straight-line basis over the lease term. Variable lease payments associated with these leases are recognized and presented in the same manner as for all other University leases.

(Continued)

The University made an election to establish a recognition threshold under ASC 842 when recording a lease in the consolidated financial statements. If an ROU asset is determined to be less than the lease threshold of $75,000, the lease payments for the life of the lease are all expensed in the period that they are paid, and the ROU asset is not reflected on the consolidated statement of financial position.

(k) Impairment of Long-Lived Assets

The University periodically assesses the realizability of its long-lived assets and evaluates such assets for impairment whenever events or changes in circumstances indicate the carrying amount of an asset may not be recoverable. For assets to be held, impairment is determined to exist if estimated future cash flows, undiscounted, and without interest charges are less than the carrying amount. There were no impairment losses for the years ended June 30, 2024 or 2023.

(l) Asset Retirement Obligations

The University has asset retirement obligations primarily related to regulatory requirements to remove and dispose of asbestos when certain buildings are renovated and/or demolished. The University records an asset retirement obligation when the liability is incurred at fair value and subsequently adjusts the asset retirement obligation for accretion expense and changes in the amount or timing of the estimated cash flows. The corresponding asset retirement costs are capitalized as part of the carrying amount of the related building and depreciated over the building's useful life.

(m) Income Tax Status

The University is recognized as an organization exempt from federal income tax under Section 501(a) of the Internal Revenue Code (the Code) as an organization described in Section 501(c)(3) whereby only unrelated business income, as defined by Section 512(a)(1) of the Code, is subject to federal income tax. The University's management has reviewed its tax positions and determined that it does not have material unrecognized tax positions that should be reflected in the consolidated financial statements for fiscal years 2024 or 2023.

(n) Derivative Financial Instruments

The University will, from time to time, utilize interest rate swaps to hedge interest rate market exposure of the underlying debt. The University does not use derivative financial instruments for speculative or trading purposes. The University uses the accrual method to account for the interest rate swaps in connection with the underlying debt. The difference between amounts paid and received under such agreements is reported in interest expense on a functional basis in the accompanying consolidated statements of activities. Changes in the fair value of these swaps are recognized as changes in net assets without donor restrictions in the accompanying consolidated statements of activities.

(o) Cash, Cash Equivalents, and Bond Project Fund

The University considers all highly liquid investments with an original maturity of three months or less to be cash equivalents. Bond project fund represents cash equivalents held for capital projects identified in the 2022 bond series.

(p) Deferred Revenue

Tuition and fee revenue are recognized on a pro rata basis proportional to the number of days of the related academic term that pertain to each fiscal year. Revenue is recognized in the period in which the related performance obligations are met. Deferred revenue consists primarily of tuition related to the second and third summer sessions, which occur subsequent to the University's fiscal year-end.

(q) Use of Estimates

Management of the University has made certain estimates and assumptions relating to the reporting of assets, liabilities, revenue and expenses, and the disclosure of contingent assets and liabilities to prepare the consolidated financial statements in conformity with U.S. generally accepted accounting principles. Actual results could differ from those estimates. Significant estimates include the assumptions used in the determination of the fair value of certain investments without readily determinable fair values, fair value of interest rate swaps, beneficial interests in perpetual trusts, allowances for receivables, and accruals for asset retirement obligations.

(r) Operating Results

Operating results in the accompanying consolidated statements of activities reflect all transactions that impact net assets without donor restrictions, except investment gains or losses, change in fair value of interest rate swaps, loan administration costs, and certain other nonoperating items.

(s) Recently Adopted Accounting Pronouncement

In June 2016, the FASB issued ASU 2016-13, *Financial Instruments – Credit Losses: Measurement of Credit Losses on Financial Instruments*, which replaces the current incurred loss impairment model that recognizes losses when a probable threshold is met with a requirement to recognize lifetime expected credit losses immediately when a financial asset is originated or purchased. Additionally, from 2016 through 2023, the FASB issued additional related ASUs that provide further guidance and clarification and become effective for the University upon the adoption of ASU 2016-13. The financial assets that are included in the scope of these updates is primarily student accounts receivable (note 3).The University adopted ASU 2016-13 and its related ASUs (collectively referred to as Topic 326) effective July 1, 2023 using a modified retrospective transition approach. As a result, the University was not required to adjust its comparative period financial information for effects of the standard or make the new required credit loss allowance disclosures for periods before the date of adoption. Prior-period amounts continue to be presented in accordance with previously applicable GAAP. The adoption of Topic 326 did not have a material effect on the University's consolidated financial statements and the related notes to the consolidated financial statements.

(Continued)

(2) Contributions Receivable

Contributions receivable are summarized as follows at June 30, 2024 and 2023:

		2024	2023
Contributions receivable, gross	$	3,800,000	4,259,458
Less:			
Allowance for doubtful accounts		(2,015,000)	(2,015,000)
Unamortized discount		(304,539)	(387,705)
Net unconditional promises to give	$	1,480,461	1,856,753
Unconditional promises expected to be collected in:			
One year	$	300,000	459,458
Two to five years		1,000,000	1,050,000
More than five years		2,500,000	2,750,000
	$	3,800,000	4,259,458

The University discounts contributions expected to be received after one year. Accretion of discounts is recorded as additional contribution revenue in accordance with donor-imposed restrictions on the contributions. Estimated future cash flows to be received after one year were discounted at June 30, 2024 and 2023 at a rate of 1.5%, respectively.

At June 30, 2024 and 2023, one donor’s outstanding pledge balance represented 98% and 94%, respectively, of the University’s gross contributions receivable.

(3) Student Loans Receivable

Advances from the federal government under the Perkins student loan program are distributable to the federal government upon liquidation of the program and, thus, are reflected as a liability in the accompanying consolidated statements of financial position. At June 30, 2024 and 2023, the University has allowances for uncollectible Perkins student loan accounts of $374,197 and $502,219, respectively, and general allowances for other student loans of $1,353,429 and $1,221,103, respectively.

Student loans receivable consist of the following at June 30, 2024 and 2023:

		2024	2023
Perkins loans receivable	$	2,078,871	2,770,540
Other student loans receivable		7,900,239	7,149,002
		9,979,110	9,919,542
Less allowance for doubtful accounts		(1,727,626)	(1,723,322)
	$	8,251,484	8,196,220

(4) Investments

Investments are recorded at fair value. The fair value and historical cost of investments at June 30, 2024 and 2023 are as follows:

		2024		2023	
		Fair value	**Cost**	**Fair value**	**Cost**
Cash and cash equivalents	$	10,788,543	10,788,543	4,939,065	4,939,065
Fixed income		21,346,965	24,168,609	20,760,307	23,398,757
Domestic equities		121,665,667	37,737,670	127,331,512	46,619,693
Global equities		100,380,221	80,704,620	104,766,722	93,393,112
Hedged equity funds of funds		36,337,022	22,945,641	32,770,980	22,931,629
Private equity and venture capital funds		51,258,552	28,330,397	51,089,350	30,955,306
Real assets		60,277,423	43,725,285	64,407,294	46,882,085
Miscellaneous investments		2,018,853	1,749,717	122,407	122,476
Total investments	$	404,073,246	250,150,482	406,187,637	269,242,123

Cash and cash equivalents classified as investments are excluded from cash and cash equivalents in the consolidated statements of cash flows as these funds are not used for operations.

Investment securities are exposed to a number of risks, including, but not limited to, the following:

Liquidity risk – Liquidity risk represents the possibility that the University may not be able to rapidly adjust the size of its portfolio holdings in times of high volatility and financial stress at a reasonable price. If the University was compelled to dispose of an illiquid investment at an inopportune time, it may be required to do so at a substantial discount to fair value.

The University invests in alternative investments that can be highly illiquid. Under adverse market or economic conditions, the secondary market for certain of these alternative investments could further contract. As a result, the University could find it more difficult to sell these securities or may only be able to sell the securities at prices lower than if such securities were more widely traded.

Interest rate and credit risks – The University's investment portfolio is subject to interest rate and credit risks for certain securities whose valuation would be impacted by changes in interest rates. The portfolio is also subject to the risk that the issuer of the security may not be able to pay interest or repay principal when due.

Market price risk – The value of securities held by the University may decline in response to certain economic events, including those events impacting entities whose securities are owned and included in the investment portfolio. Those events impacting valuation may include (but are not limited to) economic and regulatory changes; market fluctuations; global and political instability; and currency, interest rate, and commodity price fluctuations. The University attempts to manage this risk through diversification, ongoing due diligence of fund managers, and monitoring of economic conditions.

Due to the risks associated with certain investment securities, it is at least reasonably possible that changes in the values of investment securities will occur in the near term, and such changes could materially affect the amounts reported in the University's consolidated financial statements.

Investment management fees are included in the accompanying consolidated statements of activities as a reduction of investment income.

As of June 30, 2024 and 2023, the estimated fair value of the University's alternative investments to which the University applied net asset value (NAV) or its equivalent as a practical expedient relative to the determination of fair value totaled $159,627,006 and $141,842,002, respectively. The limitations and restrictions on the University's ability to redeem or sell these investments vary by investment type. Based on the terms and conditions in effect at June 30, 2024 and 2023, these investments can be redeemed or sold as follows:

	2024	2023	Unfunded commitments at June 30, 2024	Redemption frequency (if currently eligible)	Redemption notice period
Fixed income:					
U.S. and global core fixed-income funds (a)	$ 3,929,694	4,041,787	—	Daily to monthly	15 Days
Domestic equities:					
Collective trusts (b)	37,679,350	29,702,475	—	Daily to quarterly	0–60 Days
Global equities:					
Developed markets (c)	16,898,040	12,510,576	—	Daily to monthly	0–10 Days
Hedge strategies:					
Long-/short-equity strategy (d)	19,414,354	17,046,826	—	Daily to annual	0–90 Days
Distressed and event driven (e)	11,864,477	10,928,369	—	Quarterly to annual	45–90 Days
Private equity and venture capital funds (f)	50,684,462	50,515,260	24,098,105	N/A	N/A
Real assets:					
Real asset and real estate investment trusts (g)	12,406,738	10,146,161	12,927,470	N/A	N/A
Commodities (h)	6,749,891	6,950,548	—	Monthly to illiquid	5 Days
	$ 159,627,006	141,842,002	37,025,575		

(a) Investments in funds that invest both in domestic and global corporate bonds

(b) Investments in collective trusts that invest in U.S. common stocks. Management of the common and commingled trusts has the ability to shift investments from small to large capitalization stocks and from a growth to value strategy.

(c) Investments in stocks within developed foreign economies and markets, targeted based on a value and growth strategy.

(d) Investments in hedge funds that invest both long and short in primarily U.S. common stocks. Management of the hedge funds has the ability to shift investments from small to large capitalization stocks and from a net long to a net short position. These investments include restrictions that do not allow for redemption during the first month or quarter after acquisition.

(e) Investments in hedge funds that invest in debt securities and securities in companies before or after a corporate event, such as mergers and acquisitions.

(f) Includes a number of private equity and venture capital funds investing in a variety of companies. Distributions are received through the liquidation of the underlying assets of the fund, and it is estimated that the underlying assets of the fund will be liquidated over the next 10 to 12 years.

(g) Investments in real estate trust funds that invest in domestic and global real estate securities.

(h) Investments in funds that invest in derivatives and domestic, exchange-traded futures contracts.

(5) Financial Assets and Liquidity Resources

	2024	2023
Financial assets:		
Cash and cash equivalents	$ 49,523,221	68,245,364
Bond project fund	1,988,987	11,804,959
Accounts and student loans receivable	29,287,947	24,046,637
Endowment and other long-term investments	396,262,614	399,488,995
Beneficial interest trusts	80,715,989	75,353,423
Total	557,778,758	578,939,378
Less amounts not available for general expenditures within one year due to restrictions:		
Bond project fund	1,988,987	11,804,959
Federal and institutional student loans	8,251,484	8,196,220
Donor-restricted endowment	289,596,752	248,116,911
Resources without donor restriction invested as endowment	111,593,235	156,474,603
Beneficial interest trusts	80,715,989	75,353,423
Total	492,146,447	499,946,116
Total financial assets available to meet general expenditures within one year (excludes donor restrictions and self-imposed restrictions)	$ 65,632,311	78,993,262

Total financial assets available to meet general expenditures within one year noted above are available to support ordinary operations of the University. However, the University also has an additional source of liquidity not included in total financial assets available to meet general expenditures within one year that could be utilized to address financial challenges. This additional source of liquidity is a beneficial interest in perpetual trust where the donor considered that a time might arise where the University as the beneficiary of the trust might need access to some or all of the principal of the trust. The donor's will provide that "[t]he trustees of each of the above trusts shall, at all times, be Trust Company Bank and two persons appointed by the person who, from time to time, is the chief executive officer of the institution. A majority vote by the trustees shall be required in deciding all questions regarding the management, care, and disposition of the trust. *The Trustees, in their sole and uncontrolled discretion, shall be authorized to distribute some or all of the principal of each such trust to the charitable beneficiary thereof, if they deem such distribution to be in the best interest of the beneficiary."* The fair market value of this beneficial interest in perpetual trust as of June 30, 2024 and 2023 was $51,587,154 and $48,375,224, respectively.

(6) Property and Equipment

Property and equipment are summarized as follows at June 30, 2024 and 2023:

		2024	2023
Land and improvements	$	63,023,432	60,637,035
Buildings		601,265,447	562,775,222
Equipment		144,518,260	137,842,259
Construction in progress		19,228,250	34,059,517
		828,035,389	795,314,033
Less accumulated depreciation		(391,431,009)	(368,706,863)
Property and equipment, net	$	436,604,380	426,607,170

Depreciation expense totaled $22,887,516 and $20,968,812 in 2024 and 2023, respectively.

During December 2015, the University (through Mercer GSA, LLC) entered into a ground lease with FD GSA Mercer, LLC, an unrelated third party that was formed solely to develop and finance (through the issuance of a note payable) the construction of a building on the University's Atlanta campus that FD GSA Mercer, LLC intended to lease to the General Services Administration once completed. Construction of the building was completed, and it was subsequently occupied by the General Services Administration in September 2017. Effective November 15, 2018, the University (through Mercer GSA, LLC) was assigned 100% of the membership interests of FD GSA Mercer, LLC, which had the effect of transferring the aforementioned building constructed on the University's Atlanta campus, the related building lease with the General Services Administration, the related note payable that financed construction of the building (note 7), and the related ground lease back to the University through Mercer GSA, LLC.

The amount of debt (notes payable) assumed in conjunction with this transaction was $45,602,690, and the net book value of the assets acquired was $44,955,935 and was included in property and equipment in the accompanying statements of financial position. As of June 30, 2024 and 2023, the remaining principal was $34,921,232 and $36,990,351, respectively, and is included in notes payable in the accompanying consolidated statements of financial position. As of June 30, 2024 and 2023 the net book value of the related building was $36,957,379 and $38,363,156, respectively.

The University has identified conditional asset retirement obligations, primarily for the cost of asbestos removal and disposal, which will result from current or future plans to renovate and/or demolish certain buildings. The following table presents the activity of the University's conditional asset retirement obligation for the years ended June 30, 2024 and 2023:

	2024	2023
Balance at beginning of year	$ 4,063,813	4,322,226
Accretion expense	59,350	258,413
Obligations settled in current period	(123,760)	(516,826)
Balance at end of year	$ 3,999,403	4,063,813

(7) Notes Payable

Notes payable consist of the following at June 30, 2024 and 2023:

	2024	2023
Payable to a lending institution with a fixed rate of 3.75% through July 29, 2024, (November 29, 2024, as amended) the note is secured by certain assets.	$ 12,250,000	12,250,000
Payable to a lending institution with a variable rate of SOFR plus .75% (6.08% and 5.94% at June 30, 2024 and 2023, respectively) through September 30, 2024, (November 30, 2024, as amended) the note requires monthly payments and is secured by certain real property and investments.	10,407,250	11,232,250
Payable to a lending institution with a fixed rate of 3.573% through July 15, 2037; the note is secured by certain real property (note 6).	34,921,232	36,990,351
	$ 57,578,482	60,472,601

Interest expense related to notes payable totaled $2,329,007 and $2,382,374 in 2024 and 2023, respectively.

At June 30, 2024, aggregate maturities of notes payable are as follows:

Year ending June 30:	
2025	$ 24,799,855
2026	2,218,720
2027	2,297,556
2028	2,379,211
2029	2,463,788
Thereafter	23,419,352
	$ 57,578,482

(Continued)

(8) Bonds Payable

Bonds payable consist of the following at June 30:

Series	Interest rate	Final maturity date	Original principal amount	Outstanding principal at June 30 2024	Outstanding principal at June 30 2023
2012B	Fixed: 4.00% to 5.25%	October 1, 2032	$ 9,790,000	4,105,000	4,685,000
2013-1	Fixed with derivative	October 1, 2036	6,000,000	—	5,250,000
2013-2	Fixed with derivative	October 1, 2035	7,190,000	—	6,865,000
2013-3	Variable	October 1, 2031	25,025,000	—	19,905,000
2013-4	Variable	October 1, 2041	20,078,366	—	15,337,596
2013-5	Fixed with derivative	October 1, 2043	12,056,907	—	8,977,956
2015	Fixed: 4.25% to 5.00%	October 1, 2045	77,485,000	77,485,000	77,485,000
2021	Fixed: 5.00%	October 1, 2050	71,265,000	63,500,000	67,425,000
2022	Fixed: 5.00%	October 1, 2051	46,740,000	43,255,000	44,920,000
				188,345,000	250,850,552
Less unamortized bond issuance costs				(1,716,417)	(1,961,817)
Plus unamortized bond premiums, net				16,723,400	17,356,209
				$ 203,351,983	266,244,944

On July 6, 2022, the University borrowed principal of $46,740,000 through a public market offering and utilized the proceeds from the issuance of the 2022 series to (a) refund the University's 2012C series, maturing on October 1, 2023, October 1, 2027, and October 1, 2030, (b) finance the acquisition, construction, installation, equipment, and renovation of certain educational, academic, and recreational facilities on the University's campus, and (c) pay a portion of the cost of issuance for the series 2022 bonds. Principal and interest is due each October 1 with an interest rate of 5%. Final maturity date is October 1, 2051.

On July 6, 2021, the University borrowed principal of $71,265,000 through a public market offering and utilized the proceeds from the issuance of the 2021 series to (a) refund the University's 2012A series, maturing on October 1, 2032, (b) finance the acquisition, construction, installation, equipment, renovation, of certain educational, academic, and recreational facilities on the University's campus, and (c) pay a portion of the cost of issuance for the series 2021 bonds. Principal and interest is due each October 1 with an interest rate of 5%. Final maturity date is October 1, 2051.

On July 1, 2015, the University borrowed principal of $77,485,000 through a public market offering and utilized the proceeds from the issuance of the 2015 series for the construction of new buildings, capital improvements to the University's Atlanta and Macon campuses, financing capitalized interest on the bonds, and to pay certain costs of issuance on the bonds.

On May 30, 2013, the University borrowed principal of $70,350,273 through a direct bank purchase and utilized the proceeds from the issuance of the 2013 series 1–5 to defease the 2006A, 2006C, and 2011 series bonds and for construction of new buildings. Interest on the 2013-1 series is fixed with a 3.84% swap through October 1, 2036 (note 9). Interest on the 2013-2 and 2013-5 series is fixed with a 2.40% swap through February 1, 2024 (note 9). As of June 30, 2024, the University has fully repaid the outstanding principal of the 2013 series 1-5 bonds.

During 2012, the University borrowed principal of $125,690,000 through a public market offering and utilized the proceeds to defease the 2003 and 2006B series bonds. The remaining principal of the 2012D series bonds in the original amount of $5,850,000 were repaid during fiscal year 2020. The remaining principal of the 2012A series bonds in the original amount of $77,545,000 were repaid during fiscal year 2022.

Interest expense related to bonds payable totaled $11,289,800 and $9,414,203 in 2024 and 2023, respectively.

At June 30, 2024, aggregate maturities of bonds payable are as follows:

Year ending June 30:		
2025	$	6,490,000
2026		6,820,000
2027		7,175,000
2028		7,545,000
2029		7,925,000
Thereafter		152,390,000
	$	188,345,000

(9) Derivative Financial Instruments

The University had three interest rate swap agreements outstanding at June 30, 2024 and 2023:

Related-debt issue		2013-1	2013-2	2013-5
Effective date		May 2, 2006	December 4, 2018	December 4, 2018
Counterparty		Deutsche Bank	BB&T Bank	BB&T Bank
Notional amount	$	6,000,000	7,190,000	10,437,064
Termination date		October 1, 2036	February 1, 2024	February 1, 2024
Rate paid by the University		3.854 %	2.460 %	2.460 %
Rate paid by the counterparty		68.85% fallback SOFR	79% overnight SOFR	79% overnight SOFR

The following table summarizes the University's interest rate swaps not designated as hedging instruments as of and for the years ended June 30, 2024 and 2023:

		2024		2023	
		Fair value (1)	Change in fair value (2)	Fair value (1)	Change in fair value (2)
May 2, 2006 interest rate swap (2013-1)	$	(317,000)	128,107	(445,107)	301,953
December 4, 2018 interest rate swap (2013-2)		—	(86,031)	86,031	84,781
December 4, 2018 interest rate swap (2013-5)		—	(97,445)	97,445	96,481
	$	(317,000)	(55,369)	(261,631)	483,215

(1) Reported as interest rate swaps in the accompanying consolidated statements of financial position

(2) Reported as change in fair value of interest rate swaps in the accompanying consolidated statements of activities

The University is exposed to interest rate risk driven by factors influencing the spread between the taxable and tax-exempt market interest rates on its basis.

(10) Leases

(a) Finance Leases

The University has various lease agreements in effect that are classified as finance leases. Assets under finance leases are included in property and equipment, net in the accompanying consolidated statements of financial position at June 30 as follows:

		2024	2023
Equipment	$	7,105,581	7,105,581
Less accumulated depreciation		(7,105,581)	(7,071,252)
	$	—	34,329

Amortization of assets held under finance leases is included as depreciation and amortization in operating expenses in the accompanying consolidated statements of activities.

(b) Operating Leases

The University has several noncancelable operating leases, primarily for office equipment and office space that expire over the next 12 years. These leases contain various renewal options for periods ranging from one to five years.

(Continued)

The components of lease cost for the years ended June 30, 2024 and 2023, which are included in operating expenses in the accompanying consolidated statement of activities, were as follows:

		2024	2023
Operating lease cost	$	174,890	134,564
Finance lease cost:			
Amortization of ROU assets		473,118	471,962
Interest on lease liabilities		63,449	86,866
Total finance lease cost		536,567	558,828
Total lease cost	$	711,457	693,392

(c) *Other Lease Disclosures*

Other information related to leases as of and for the years ending June 30, 2024 and 2023 was as follows:

		2024	2023
Supplemental cash flow information:			
Cash paid for amounts included in the measurement of lease liabilities:			
Operating cash flow from operating leases	$	769,493	727,989
Operating cash flow from finance leases		23,258	25,582
Financing cash flow from finance leases		96,586	97,841
ROU assets obtained in exchange for lease obligations:			
Operating leases		115,200	—
Weighted average remaining lease term (in years):			
Operating leases		3.66	3.30
Finance leases		22.00	21.84
Weighted average discount rate:			
Operating leases		6.39 %	6.34 %
Finance leases		1.80	1.06

Amounts disclosed for ROU assets obtained in exchange for lease obligations include amounts added to the carrying amount of ROU assets resulting from lease modifications and reassessments.

For the years ended June 30, 2024 and 2023, ROU assets held under operating leases totaled $532,730 and $903,818, respectively, and are included in other assets in the accompanying consolidated statements of financial position.

Aggregate future payments under noncancelable operating and finance leases as of June 30, 2024 are as follows:

		Operating leases	Finance leases
2025	$	223,409	91,566
2026		191,752	94,313
2027		52,640	97,143
2028		49,440	100,057
2029		49,440	103,059
Thereafter		46,418	2,153,475
Total lease payments		613,099	2,639,613
Less amounts representing interest		(80,369)	(259,556)
Total obligations	$	532,730	2,380,057

(d) Savannah Center for Medical Education and Research

In September 2014, the University entered into a 30-year lease agreement with the Savannah Center for Medical Education and Research (SCMER) for the Savannah property, which is owned and operated by SCMER. SCMER maintains title of the real property, or structural assets, during the construction phase of the SCMER property renovations. Due to certain structural elements installed and enhancements of the space being leased and the University's equity interest in SCMER, the University is required to be treated, for accounting purposes only, as the "owner" of the SCMER property even though the University does not own the assets and does not control the operations of SCMER. Accordingly, the costs of construction paid by the University through their investment in SCMER are recorded as a purchase of property and equipment, and the costs of the real property and construction not paid by the University was reflected as a noncash investing activity in the 2015 consolidated statement of cash flows.

As a result, during 2015, the University recorded additions of property and construction totaling $21,392,659, where $5,990,852 was paid by the University through its investment in SCMER and $6,955,000 was paid by the University through a note receivable to Chase NMTC Mercer Investment Fund, LLC (the Bank), a third party. In accordance with the notes receivable fund loan agreement, the proceeds of the notes receivable were used by the Bank primarily to make an equity contribution to Partnerships of Hope X, LLC (Hope LLC) and CNMC Sub CDE 58, LLC (CNMC LLC). In October 2014, Hope LLC and CNMC LLC utilized the proceeds of the equity contributions to fund a promissory note payable to SCMER, where the amount received was used to perform renovations of the Savannah property in connection with the New Market Tax Credit program. During 2024 and 2023, the University did not record any additions of property and construction. As a result, $2,380,057 and $2,447,206 represents the remaining lease obligation of the University as of June 30, 2024 and 2023, respectively, and is included in lease obligations in the accompanying consolidated statements of financial position.

(11) Fair Value of Financial Instruments

The University's estimates of fair value for financial assets and liabilities are based on a framework that considers the inputs used in valuation and gives the highest priority to quoted prices in active markets and requires observable inputs to be used in the valuations when available. The disclosure of assets and liabilities in the fair value hierarchy is based on whether the significant inputs into the valuation are observable. In determining the level of the hierarchy in which the estimate is disclosed, the highest priority is given to unadjusted quoted prices in active markets and the lowest priority to unobservable inputs that reflect the University's significant market assumptions. The three levels of hierarchy are as follows:

Level 1 – Valuations are based on unadjusted quoted market prices for identical assets or liabilities in active markets at fiscal year-end.

Level 2 – Valuations are based on pricing inputs that are other than quoted prices in active markets, which are either directly or indirectly observable for substantially the full term of the asset or liability.

Examples include quoted prices in active markets of the underlying assets, quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in an inactive market, or valuations based on models where significant inputs are observable or can be corroborated by observable market data.

Level 3 – Valuations are based on unobservable inputs for the asset or liability used to measure fair value to the extent that observable inputs are not available, thereby allowing for situations in which there is little, if any, market activity for the asset or liability. Level 3 valuations incorporate certain assumptions and projections that are not observable in the market and require significant professional judgment in determining the fair value assigned to such assets or liabilities.

The hierarchy requires the use of observable market data when available. Assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurements. The categorization of an investment not at NAV as a practical expedient within the hierarchy is based upon the pricing transparency of the investment to the investor and does not necessarily correspond to the perceived risk of that investment. The University uses inputs in applying various valuation techniques that are assumptions, which market participants would use to make valuation decisions, including assumptions about risk. Inputs may include price information, volatility statistics, operating statistics, specific and broad credit data, liquidity statistics, recent transactions, earnings forecasts, future cash flows, market multiples, discount rates, and other factors.

Underlying fund investments made directly by the University whose values are based on quoted market prices in active markets and are, therefore, classified within Level 1 include actively traded common and preferred stock, U.S. government fixed-income instruments, and non–U.S. government fixed-income instruments. Level 1 investments may also include listed mutual funds, exchange-traded funds, and money market funds.

Investments that trade in markets that are not considered to be active but are valued based on quoted market prices, dealer quotations, or alternative pricing sources supported by observable inputs, which are classified within Level 2 and are redeemable within 90 days of the financial reporting date. Alternative pricing sources include quotations from market participants and pricing models, which are based on accepted industry modeling techniques. These investments include U.S. investment-grade and below investment-grade debt securities and international corporate bonds.

Investments classified within Level 3 have significant unobservable inputs, as they trade infrequently or not at all, and are not redeemable within 90 days of the financial reporting date. Level 3 investments include private placement investments, oil and gas royalty trusts, and certain commingled fund investments. Inputs used may include the original transaction price, recent transactions in the same or similar market, completed or pending third-party transactions in the underlying investment or comparable issuers, and subsequent rounds of financing. When observable prices are not available, these investments are valued using one or more valuation techniques described below:

- Market approach: This approach uses prices and other relevant information generated by market transactions involving identical or comparable assets or liabilities.
- Income approach: This approach determines a valuation by discounting future cash flows.
- Cost approach: This approach is based on the principle of substitution and the concept that a market participant would not pay more than the amount that would currently be required to replace the asset.

Although a secondary market exists for these investments, its activity is generally limited and individual transactions are typically not observable.

In accordance with ASC Subtopic 820-10, *Fair Value Measurement – Overall*, certain investments that are measured at fair value using NAV as a practical expedient have not been classified in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the accompanying consolidated statements of financial position.

The following tables summarize the University's financial instruments recorded at fair value on a recurring basis by major category in the fair value hierarchy as of June 30, 2024 and 2023, as well as related strategy:

	June 30, 2024				
Assets	**Level 1**	**Level 2**	**Level 3**	**Investments measured at NAV**	**Total**
Cash and cash equivalents	$ 49,523,221	—	—	—	49,523,221
Bond project fund	1,988,987	—	—	—	1,988,987
Investments:					
Cash and cash equivalents	10,788,543	—	—	—	10,788,543
Fixed income:					
U.S. and global core fixed-income funds	17,417,271	—	—	3,929,694	21,346,965
Domestic equities:					
Traditional equity mutual funds and collective trusts	58,977,793	—	—	37,679,350	96,657,143
Stock	25,008,524	—	—	—	25,008,524
	83,986,317	—	—	37,679,350	121,665,667
Global equities:					
Developed markets	73,993,087	—	—	16,898,040	90,891,127
Emerging markets	9,489,094	—	—	—	9,489,094
	83,482,181	—	—	16,898,040	100,380,221
Hedged equity funds of funds:					
Long/short equity strategy	—	—	—	19,414,354	19,414,354
Distressed and event driven	5,058,191	—	—	11,864,477	16,922,668
	5,058,191	—	—	31,278,831	36,337,022
Private equity and venture capital funds	—	—	574,090	50,684,462	51,258,552
Real assets:					
Real asset fund	20,310,219	—	—	12,406,738	32,716,957
Land	—	—	18,433,450	—	18,433,450
Commodities	—	—	—	6,749,891	6,749,891
Commodities – oil and gas royalty trusts	—	—	2,377,125	—	2,377,125
	20,310,219	—	20,810,575	19,156,629	60,277,423
Miscellaneous investments	—	—	2,018,853	—	2,018,853
Total investments	221,042,722	—	23,403,518	159,627,006	404,073,246
Beneficial interests in perpetual trusts	—	76,306,423	4,409,566	—	80,715,989
Remainder interest trusts	—	6,213,347	—	—	6,213,347
Total	$ 272,554,930	82,519,770	27,813,084	159,627,006	542,514,790
Liabilities					
Interest rate swaps	$ —	317,000	—	—	317,000

	June 30, 2023				
Assets	**Level 1**	**Level 2**	**Level 3**	**Investments measured at NAV**	**Total**
Cash and cash equivalents	$ 68,245,364	—	—	—	68,245,364
Bond project fund	11,804,959	—	—	—	11,804,959
Investments:					
Cash and cash equivalents	4,939,065	—	—	—	4,939,065
Fixed income:					
U.S. and global core fixed-income funds	16,718,520	—	—	4,041,787	20,760,307
Domestic equities:					
Traditional equity mutual funds and collective trusts	$ 82,132,127	—	—	29,702,475	111,834,602
Stock	15,496,910	—	—	—	15,496,910
	97,629,037	—	—	29,702,475	127,331,512
Global equities:					
Developed markets	80,490,562	—	—	12,510,576	93,001,138
Emerging markets	11,765,584	—	—	—	11,765,584
	92,256,146	—	—	12,510,576	104,766,722
Hedged equity funds of funds:					
Long/short equity strategy	—	—	—	22,841,325	22,841,325
Distressed and event driven	4,795,785	—	—	5,133,870	9,929,655
	4,795,785	—	—	27,975,195	32,770,980
Private equity and venture capital funds	—	—	574,090	50,515,260	51,089,350
Real assets:					
Real asset fund	25,582,338	—	—	10,146,161	35,728,499
Land	—	—	18,433,450	—	18,433,450
Commodities	—	—	—	6,950,548	6,950,548
Commodities – oil and gas royalty trusts	—	—	3,294,797	—	3,294,797
	25,582,338	—	21,728,247	17,096,709	64,407,294
Miscellaneous investments	—	—	122,407	—	122,407
Total investments	241,920,891	—	22,424,744	141,842,002	406,187,637
Beneficial interests in perpetual trusts	—	70,121,311	5,232,112	—	75,353,423
Remainder interest trusts	—	6,033,520	—	—	6,033,520
Total	$ 321,971,214	76,154,831	27,656,856	141,842,002	567,624,903
Liabilities					
Interest rate swaps	$ —	261,231	—	—	261,231

The following table presents activity for assets classified in Level 3 for the years ended June 30, 2024 and 2023:

Level 3 rollforward	Private equity and venture capital funds	Real assets	Beneficial interests in perpetual trusts	Miscellaneous investments	Total
Fair value at June 30, 2022	$ 576,527	17,145,180	5,429,853	115,227	23,266,787
Purchases	—	—	—	—	—
Sales	—	(580,367)	—	—	(580,367)
Transfers to (from) Level 3	—	—	—	—	—
Gains (losses)	(2,437)	5,163,434	(197,741)	7,180	4,970,436
Fair value at June 30, 2023	574,090	21,728,247	5,232,112	122,407	27,656,856
Purchases	—	—	—	1,970,000	1,970,000
Sales	—	(303,019)	—	—	(303,019)
Transfers to (from) Level 3	—	—	—	—	—
Gains (losses)	—	(614,653)	(822,546)	(73,554)	(1,510,753)
Fair value at June 30, 2024	$ 574,090	20,810,575	4,409,566	2,018,853	27,813,084

As of June 30, 2024 and 2023, real assets classified in Level 3 primarily consist of the University's ownership interest in CCH recorded at fair value based on a combination of the income capitalization approach (ground rent capitalization) and the sales comparison approach.

The carrying amounts of accounts receivable and accounts payable approximate fair value due to the short maturity of these financial instruments. Cash and cash equivalents, restricted cash, bond project fund, investments, beneficial interests in perpetual trusts, remainder interest trusts, and interest rate swaps are reflected in the accompanying consolidated financial statements at fair value. The fair value of annuity obligations approximates carrying value due to discount rates and actuarial assumptions used in the calculation of the University's liability. The carrying amounts of note receivable, due from related entity, and notes receivable from related entities approximate fair value in all material respects.

Contributions receivable for current year gifts are initially measured at fair value in the year the receivable is recorded based on the present value of future cash flows discounted at a rate commensurate with risks involved, which is an application of the income approach.

Asset retirement obligations are initially measured at fair value when the liability is incurred based on the expected present value of future cash flows discounted at a rate commensurate with the risks involved.

A reasonable estimate of the fair value of notes receivable from students under government loan programs and advances from federal government for student loans could not be made because the notes receivable are not marketable and can only be assigned to the U.S. government or its designees. The fair value of notes receivable from students under the University's loan programs approximates carrying value.

(Continued)

(12) Endowments

The University has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA), as adopted in Georgia, as providing, among other things, expanded spending flexibility by allowing, subject to a standard of prudence, the institution to spend from an endowment fund without regard to the book value of the corpus of the fund. This flexibility under UPMIFA allows an expenditure that lowers the value of the corpus of an endowment fund below its book value, which was previously not allowed. As a result of this interpretation, the University classifies as net assets with donor restrictions (a) the original value of gifts donated to the perpetual endowment, (b) the original value of subsequent gifts to the perpetual endowment, and (c) accumulations to the perpetual endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

The donor-restricted endowment fund is classified as net assets with donor-imposed restriction until those amounts are appropriated for expenditure by the University in a manner consistent with the standard of prudence prescribed in UPMIFA. If the fair value of assets associated with individual donor-restricted endowment funds falls below the level that UPMIFA requires the University to retain as donor restricted, these deficiencies are reported in net assets with donor restrictions. These deficiencies generally result from unfavorable market fluctuations that occurred shortly after the investment of recent donor-restricted contributions and continued appropriation for certain programs that are deemed prudent by the Board of Trustees. Subsequent gains that restore the fair value of the assets of the endowment fund to the required level are classified as an increase in net assets with donor restrictions. There were no such deficiencies as of June 30, 2024 or 2023.

In accordance with UPMIFA, the University considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund
- The purposes of the University and the donor-restricted endowment fund
- General economic conditions
- The possible effect of inflation and deflation
- The expected total return from income and the appreciation of investments
- Other resources of the University
- The investment policies of the University.

The Board of Trustees, on the recommendation of the Finance, Investment, and Property Committee, has adopted a spending policy that governs the annual distributions from the pooled endowment funds that may be expended for current operations. This policy authorizes the University's administration to distribute from its pooled endowment funds a specified percentage, to be determined by the Board of Trustees from time to time, of the three-year average market value of those pooled endowment funds. The average value is computed as an average of the current year plus the two previous years. For the fiscal years ended June 30, 2024 and 2023, the Board of Trustees authorized the distribution and expenditure of 4.75% of a three-year average of pooled endowment market value for fiscal year 2024 and 5% for fiscal year 2023.

While board-designated funds function as endowment funds, they are presented as endowment funds without donor restrictions because they are not subject to donor-imposed restrictions, although the approval of the Board of Trustees upon recommendation of its Finance, Investment, and Property Committee is required to spend from or otherwise alter the designated principal of these funds. These board-designated endowment funds without donor restrictions are generally restricted to supporting scholarships and institutional aid, funding capital projects and other departmental operating needs, and supporting the general activities of the University.

Endowment funds consisted of the following as of June 30, 2024:

	Without donor restrictions	With donor restrictions	Total
Donor-restricted endowment funds	$ —	370,312,741	370,312,741
Board-designated endowment funds	111,593,235	—	111,593,235
Total endowment funds	$ 111,593,235	370,312,741	481,905,976

Endowment funds consisted of the following as of June 30, 2023:

	Without donor restrictions	With donor restrictions	Total
Donor-restricted endowment funds	$ —	323,470,334	323,470,334
Board-designated endowment funds	156,474,603	—	156,474,603
Total endowment funds	$ 156,474,603	323,470,334	479,944,937

Changes in endowment funds for the year ended June 30, 2024 are as follows:

	Without donor restrictions	With donor restrictions	Total
Endowment funds, June 30, 2023	$ 156,474,603	323,470,334	479,944,937
Investment return, net of fees (includes changes in beneficial interests in trusts that are donor restricted)	12,241,536	45,863,017	58,104,553
Contributions	—	4,169,492	4,169,492
Appropriation of endowment assets for expenditure	(12,553,102)	(3,563,310)	(16,116,412)
Transfers to board-designated endowment funds and other activity	(44,569,802)	373,208	(44,196,594)
Endowment funds, June 30, 2024	$ 111,593,235	370,312,741	481,905,976

Changes in endowment funds for the year ended June 30, 2023 are as follows:

	Without donor restrictions	With donor restrictions	Total
Endowment funds, June 30, 2022	$ 150,788,476	301,767,818	452,556,294
Investment return, net of fees (includes changes in beneficial interests in trusts that are donor restricted)	17,050,810	21,192,159	38,242,969
Contributions	—	4,475,034	4,475,034
Appropriation of endowment assets for expenditure	(12,008,131)	(3,964,677)	(15,972,808)
Transfers to board-designated endowment funds and other activity	643,448	—	643,448
Endowment funds, June 30, 2023	$ 156,474,603	323,470,334	479,944,937

(13) Operating Expenses

The University's primary program services are academic support, instruction, research, and public service. Student services, auxiliary services, and institutional support expenses are incurred in support of primary activities and are considered integral to the delivery of these primary programs. Costs related to the operation and maintenance of property and equipment, including depreciation, are allocated to operating programs and supporting activities based on estimates of facility usage. Interest expense on external debt is allocated to the activities that have most directly benefited from the proceeds of the related external debt.

Operating expenses, by natural and functional classification, for the year ended June 30, 2024 are as follows:

	Instruction	Research	Public service	Academic support	Student services	Institutional support	Auxiliary enterprises	Total
Operating:								
Salaries and wages	$ 64,916,109	26,093,653	1,972,387	15,940,731	11,771,997	14,545,998	17,763,558	153,004,433
Benefits	20,285,059	6,812,358	528,352	4,973,615	4,716,774	170,899	6,454,386	43,941,443
Supplies and contractual agreements	26,508,732	8,838,616	1,826,753	8,603,534	11,283,800	1,354,936	43,730,743	102,147,114
Travel	2,889,238	416,750	246,145	384,905	462,383	368,990	2,919,703	7,688,114
Depreciation	7,350,070	1,501,915	—	4,860,040	2,254,657	1,837,504	5,083,330	22,887,516
Interest	5,238,268	667,971	—	85,282	1,335,601	2,410,534	4,126,269	13,863,925
Total operating expenses	$ 127,187,476	44,331,263	4,573,637	34,848,107	31,825,212	20,688,861	80,077,989	343,532,545

Operating expenses, by natural and functional classification, for the year ended June 30, 2023 are as follows:

	Instruction	Research	Public service	Academic support	Student services	Institutional support	Auxiliary enterprises	Total
Operating:								
Salaries and wages	$ 62,692,828	24,664,148	1,702,824	14,573,171	10,837,744	13,758,163	16,483,784	144,712,662
Benefits	19,623,212	6,656,326	440,425	4,820,101	4,966,792	(105,177)	6,118,555	42,520,234
Supplies and contractual agreements	24,936,233	7,704,134	586,003	7,178,783	11,519,765	3,416,458	39,172,992	94,514,368
Travel	2,588,235	417,577	140,502	394,273	435,962	327,910	2,483,691	6,788,150
Depreciation	6,692,250	1,367,497	—	4,425,074	2,052,869	1,673,052	4,758,070	20,968,812
Interest	4,105,130	615,382	—	65,820	933,633	1,944,183	4,158,013	11,822,161
Total operating expenses	$ 120,637,888	41,425,064	2,869,754	31,457,222	30,746,765	21,014,589	73,175,105	321,326,387

Operation and maintenance of plant expense for the years ended June 30, 2024 and 2023 totaled $21,203,501 and $19,187,969, respectively. Total fundraising expense for the years ended June 30, 2024 and 2023 totaled $3,519,531 and $3,446,642, respectively, and is included in institutional support in the accompanying consolidated statements of activities.

(14) Net Assets

Net assets with donor restrictions at June 30, 2024 and 2023 are available for the following purposes:

	2024	2023
Trusts funds held by others	$ 80,715,989	75,353,423
Investment income held for distribution	70,708,273	34,707,103
Endowment funds invested for scholarships	74,385,586	73,769,876
Endowment funds invested for instruction and other support	144,502,393	139,639,932
Total endowment funds with donor restrictions	370,312,241	323,470,334
Gifts available for scholarships	8,355,113	8,275,827
Gifts available for capital	6,723,344	8,921,811
Gifts available for instruction and support	21,066,636	19,285,179
Split-interest agreements, net	1,213,172	2,329,559
Donor-restricted loan funds	444,903	386,123
Contributions receivable	1,446,593	1,672,295
Total net assets with donor restrictions	$ 409,562,002	364,341,128

Earnings on net assets with donor restrictions are available for the University’s operations, scholarships, and various other programs.

(15) Net Assets Released from Restrictions

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purpose or by occurrence of other events specified by donors. Net assets released from restrictions consist of the following for the years ended June 30, 2024 and 2023:

		2024	2023
Instructional grants and gifts	$	2,471,332	2,006,689
Public service and research grants and gifts		246,643	121,732
Academic support gifts		396,787	155,297
Student service gifts		112,707	222,867
Institutional support gifts		1,435,823	631,341
Equipment and other capital purchases		11,130,793	5,397,262
Scholarships		5,142,057	4,962,743
	$	20,936,142	13,497,931

(16) Pension Plan

The University maintains defined-contribution retirement plans covering substantially all full-time and some part-time employees, under which the majority of contributions are made to the Teacher's Insurance and Annuity Association and College Retirement Equities Fund for the purchase of retirement annuities for employees. Total pension expense under this plan for the years ended June 30, 2024 and 2023 totaled $10,428,938 and $9,840,963, respectively.

(17) Postretirement Benefit Plan

During fiscal year 1999, the University approved a two-year pilot program for a retiree medical coverage plan and a retiree life insurance coverage plan, with the premium costs of these plans being paid at least in part by the University if the retiring benefit-eligible employee has a minimum of 10 years of service with the University prior to retirement (Group 1). A new postretirement plan was introduced in fiscal year 2005 that was valid for University employees retiring between July 1, 2004 and June 30, 2005 (Group 2). The Group 1 plan was terminated effective June 30, 2000, and the Group 2 plan was terminated effective June 30, 2005. Any remaining obligations will be paid from general assets of the University.

At June 30, 2024 and 2023, the University has recorded an accumulated postretirement benefit obligation of $737,463 and $593,585, respectively as accrued postretirement benefits in the accompanying consolidated statements of financial position. During 2024, the decrease in the accumulated postretirement benefit obligation of $143,878 resulted from interest cost of $37,190 and an actuarial gain of $199,758 offset by benefits paid of $93,070, which includes claims and insurance premiums. During 2023, the decrease in the accumulated postretirement benefit obligation of $97,599 resulted from interest cost of $25,427 net of an actuarial loss of $(20,683) and benefits paid of $102,343, which includes claims and insurance premiums.

(Continued)

Since the plans are unfunded, employer contributions consist of amounts paid to third-party carriers for insurance for the participants and benefits paid consist of expenses incurred over and above insurance claims, which are paid by the University.

The weighted average discount rate used in determining the accumulated postretirement obligation for both plans was 5.11% and 4.77% at June 30, 2024 and 2023, respectively. The annual rate of increase in the per capita cost of covered healthcare benefits was assumed to be 6.25% at June 30, 2024, with a ratable annual reduction until an ultimate rate of 4.50% is reached in 2031. Increasing or decreasing the assumed healthcare cost trend rate by 1% point in each year and holding all other assumptions constant would not have a material effect on the accumulated postretirement benefit obligation as of June 30, 2024 or 2023.

The benefits expected to be paid in connection with the plans in each of the years ending June 30, 2025 - 2029 are $95,000, $91,000, $86,000, $81,000 and $75,000, respectively. The aggregate benefits expected to be paid during the five year period beginning July 1, 2028 total $222,000. These expected benefits are based on the same assumptions used to measure the University's benefit obligation at June 30, 2024.

(18) Related-Party Transactions

(a) Notes Receivable from Related Entities

The University has entered into various related-party transactions. These transactions related to several notes receivable agreements and amounts paid on behalf of the related parties. Such transactions are included in notes receivable due from related entities, net in the accompanying consolidated statements of financial position.

(i) Historic New York Café, LLC

The University has mortgage and operating deficit loans receivable due from HNYC. The $847,245 mortgage loan agreement bears interest at a fixed rate of 3%, with terms from December 2018 through December 2048. The note requires annual principal and interest payments of $43,226. At June 30, 2024 and 2023, the remaining principal balance due to the University totaled $555,178 and $582,284, respectively.

The Operating Agreement allows for an operating deficit loan, which shall be treated as a subordinated loan at such amounts to allow Historic New York Café, LLC to cover accrued accounts payable on a 60-day current basis. This loan bears no interest and shall be repaid only if the University is not in default with respect to obligations under the Operating Agreement. At both June 30, 2024 and 2023, the outstanding loan balance due to the University totaled $0. As of June 30, 2024 and 2023, the University has a payable to Historic New York Café, LLC, which is netted against notes receivable from related entities in the consolidated statements of financial position.

(ii) Historic Capricorn Studios, LLC

The University has operating deficit loans receivable due from HCS. The Operating Agreement allows for an operating deficit loan, which shall be treated as a subordinated loan at such amounts to allow HCS to cover accrued accounts payable on a 60-day current basis. This loan bears no interest and shall be repaid only if the University is not in default with respect to obligations under the Operating Agreement. At June 30, 2024 and 2023, the outstanding loan balance due to the University totaled $3,223,328 and $3,209,955, respectively.

(b) Due from Related Entity

The University has lease payments due to or from SCMER under a lease agreement between the University and SCMER that began August 1, 2015. At June 30, 2024 and 2023, rental income distributed to the University by its equity method investee (SCMER) was less than payments made by the University on behalf of SCMER by a net amount of $339,304 and $409,875, respectively. The amounts are included in the consolidated statements of financial position as due from related entity, net.

(19) Commitments and Contingencies

(a) Federal Audits

Federally funded programs are routinely subject to special audit. Such audits could result in claims against the resources of the University. Management believes that there are no claims arising from such audits that would have a material adverse effect on the consolidated financial position of the University.

(b) Legal Matters

The University is involved in legal proceedings and claims that have arisen in the ordinary course of business that have not been fully adjudicated. The ongoing litigation of the University, when fully concluded and determined, will not, in the opinion of management, have a material adverse effect upon the consolidated financial position of the University.

(20) Subsequent Events

The University management has evaluated subsequent events occurring subsequent to the financial reporting date of June 30, 2024 through October 14, 2024, the date on which the consolidated financial statements were issued, and determined there were no additional subsequent events requiring disclosure.