University of Evansville

Independent Auditor's Report and Consolidated Financial Statements

May 31, 2024 and 2023

University of Evansville
May 31, 2024 and 2023

Contents

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Independent Auditor's Report

Board of Trustees
University of Evansville
Evansville, Indiana

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of the University of Evansville (University), which comprise the consolidated statements of financial position as of May 31, 2024 and 2023, and the related consolidated statements of activities, functional expenses, 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 referred to above present fairly, in all material respects, the consolidated financial position of the University, as of May 31, 2024 and 2023, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our 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 "Auditor's 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 audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Consolidated Financial Statements

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

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

Auditor's 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 auditor's 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.

Forvis Mazars, LLP

Evansville, Indiana
November 4, 2024

University of Evansville

Consolidated Statements of Financial Position

May 31, 2024 and 2023

(Dollars in Thousands)

Assets

	2024	2023
Cash and cash equivalents	$ 8,994	$ 12,513
Accounts receivable, net of allowance; 2024 – $612 and 2023 – $545	2,249	1,718
Contributions receivable, net	5,089	2,848
Inventories	169	175
Prepaid expenses and reserves	1,363	1,376
Assets held for sale	899	-
Investments	127,552	113,380
Other investments	1,111	1,003
Bond funds held by bond trustee	5,104	19,640
Student loans and notes receivable, net	845	1,120
Beneficial interests in trusts	52,385	48,708
Right-of-use assets – operating leases, net of accumulated amortization	338	305
Property, equipment and other assets, net of accumulated depreciation and amortization	178,454	166,474
Foreign exchange contracts	-	186
Total assets	$ 384,552	$ 369,446

Liabilities and Net Assets

	2024	2023
Liabilities		
Notes payable and finance lease obligations	$ 1,691	$ 1,848
Accounts payable	4,581	4,018
Accrued liabilities	3,717	3,616
Postretirement health plan liabilities	6,479	6,692
Deferred revenue	6,620	6,541
Deposits	1,234	1,414
Annuities payable	1,327	1,836
Operating lease liabilities, net	338	305
Refundable U.S. Government student loan funds	1,389	1,652
Long-term debt, net	85,037	85,043
Asset retirement obligation	658	639
Foreign exchange contracts	10	-
Total liabilities	113,081	113,604
Net Assets		
Without donor restrictions	68,862	73,021
With donor restrictions	202,609	182,821
Total net assets	271,471	255,842
Total liabilities and net assets	$ 384,552	$ 369,446

University of Evansville

Consolidated Statements of Activities

Years Ended May 31, 2024 and 2023

(Dollars in Thousands)

	2024		
	Without Donor Restrictions	With Donor Restrictions	Total
Revenues			
Net tuition and fees, net of student aid discounts of $44,799	$ 30,752	$ -	$ 30,752
Government grants	614	3,271	3,885
Contributions and private grants	3,063	10,544	13,607
Investment return designated for current operations	4,222	936	5,158
Other investment income	1,839	161	2,000
Other sources	2,012	16	2,028
Net auxiliary enterprises, net of room and board discounts of $1,786	17,263	25	17,288
Change in understanding of donor intent	-	-	-
Net assets released from restrictions	11,971	(11,971)	-
Total revenues	71,736	2,982	74,718
Expenses			
Instruction	29,277	-	29,277
Research	117	-	117
Public service	3,049	-	3,049
Academic support	4,590	-	4,590
Student services	7,633	-	7,633
Student aid	38	-	38
Institutional support	11,855	-	11,855
Auxiliary enterprises	21,330	-	21,330
Total expenses	77,889	-	77,889
Excess (Deficit) of Revenues over Expenses	(6,153)	2,982	(3,171)
Other Changes in Net Assets			
Investment return in excess of (below) amounts designated for current operations	786	10,633	11,419
Change in value of beneficial interests in trusts	-	7,345	7,345
Actuarial adjustment on annuities	-	134	134
Disposal of assets	-	-	-
Change in fair value of foreign exchange contracts	(197)	-	(197)
Asset retirement cost, net	(21)	-	(21)
Other, including postretirement net losses	120	-	120
Net assets released from restrictions – capital improvements	1,306	(1,306)	-
Total other changes in net assets	1,994	16,806	18,800
Change in Net Assets	(4,159)	19,788	15,629
Net Assets, Beginning of Year	73,021	182,821	255,842
Net Assets, End of Year	$ 68,862	$ 202,609	$ 271,471

	2023		
	Without Donor Restrictions	With Donor Restrictions	Total
Revenues			
Net tuition and fees, net of student aid discounts of $39,986	$ 30,571	$ -	$ 30,571
Government grants	557	789	1,346
Contributions and private grants	1,471	4,736	6,207
Investment return designated for current operations	4,027	1,014	5,041
Other investment income	1,608	96	1,704
Other sources	2,174	46	2,220
Net auxiliary enterprises, net of room and board discounts of $1,381	15,788	43	15,831
Change in understanding of donor intent	(7)	7	-
Net assets released from restrictions	10,141	(10,141)	-
Total revenues	66,330	(3,410)	62,920
Expenses			
Instruction	28,341	-	28,341
Research	110	-	110
Public service	615	-	615
Academic support	4,707	-	4,707
Student services	6,846	-	6,846
Student aid	39	-	39
Institutional support	11,559	-	11,559
Auxiliary enterprises	20,263	-	20,263
Total expenses	72,480	-	72,480
Excess (Deficit) of Revenues over Expenses	(6,150)	(3,410)	(9,560)
Other Changes in Net Assets			
Investment return in excess of (below) amounts designated for current operations	(514)	(5,837)	(6,351)
Change in value of beneficial interests in trusts	-	(1,926)	(1,926)
Actuarial adjustment on annuities	-	(180)	(180)
Disposal of assets	(323)	-	(323)
Change in fair value of foreign exchange contracts	225	-	225
Asset retirement cost, net	(22)	-	(22)
Other, including postretirement net losses	(572)	-	(572)
Net assets released from restrictions – capital improvements	1,914	(1,914)	-
Total other changes in net assets	708	(9,857)	(9,149)
Change in Net Assets	(5,442)	(13,267)	(18,709)
Net Assets, Beginning of Year	78,463	196,088	274,551
Net Assets, End of Year	$ 73,021	$ 182,821	$ 255,842

University of Evansville

Consolidated Statements of Functional Expenses

Years Ended May 31, 2024 and 2023

(Dollars in Thousands)

2024

			Public	Academic	Student	Student	Institutional Support		Auxiliary					
	Instruction	Research	Service	Support	Services	Aid	MG & A	Fundraising	Athletics	Bookstore	Room & Board	Harlaxton	Other	Total
Salaries and wages	$ 15,567	$ 32	$ 762	$ 1,160	$ 3,087	$ -	$ 4,023	$ 688	$ 3,073	$ -	$ 249	$ 183	$ 9	$ 28,833
Employee benefits and taxes	4,879	4	242	378	1,035	-	1,186	241	1,056	-	83	20	-	9,124
Travel	199	5	66	73	148	-	86	47	1,604	-	-	1	-	2,229
Postage, telephone, insurance, student meal plans and other services	2,193	58	1,848	749	1,520	-	3,630	220	1,834	2	3,866	1,698	4	17,622
Utilities	1,138	1	12	301	313	-	301	9	112	23	1,059	324	10	3,603
Physical plant	1,002	-	-	585	717	-	462	-	810	116	618	467	-	4,777
Technology services	913	-	-	635	282	-	282	-	-	-	-	-	-	2,112
Interest	964	2	14	161	194	-	197	4	37	-	1,994	-	4	3,571
Supplies	613	14	84	66	178	-	159	10	427	-	55	79	1	1,686
Depreciation	1,809	1	21	482	159	-	308	2	479	10	899	109	15	4,294
Student aid	-	-	-	-	-	38	-	-	-	-	-	-	-	38
	$ 29,277	$ 117	$ 3,049	$ 4,590	$ 7,633	$ 38	$ 10,634	$ 1,221	$ 9,432	$ 151	$ 8,823	$ 2,881	$ 42	$ 77,889

2023

			Public	Academic	Student	Student	Institutional Support		Auxiliary					
	Instruction	Research	Service	Support	Services	Aid	MG & A	Fundraising	Athletics	Bookstore	Room & Board	Harlaxton	Other	Total
Salaries and wages	$ 15,180	$ 33	$ 350	$ 1,295	$ 2,635	$ -	$ 3,308	$ 651	$ 2,837	$ 1	$ 283	$ 143	$ 8	$ 26,724
Employee benefits and taxes	4,924	4	103	436	905	-	1,123	238	1,001	-	92	17	-	8,843
Travel	181	4	7	94	149	-	79	58	1,228	-	-	1	-	1,801
Postage, telephone, insurance, student meal plans and other services	2,261	45	70	661	1,475	-	4,072	221	1,649	2	3,551	1,608	4	15,619
Utilities	1,119	4	33	296	309	-	311	8	107	22	1,034	332	-	3,575
Physical plant	581	-	-	527	580	-	396	-	1,061	152	809	426	-	4,532
Technology services	882	-	-	619	273	-	273	-	-	-	-	-	-	2,047
Interest	948	2	14	162	196	-	156	4	26	-	1,779	-	-	3,287
Supplies	607	17	25	95	160	-	172	6	438	-	71	90	6	1,687
Depreciation	1,658	1	13	522	164	-	481	2	455	11	896	109	14	4,326
Student aid	-	-	-	-	-	39	-	-	-	-	-	-	-	39
	$ 28,341	$ 110	$ 615	$ 4,707	$ 6,846	$ 39	$ 10,371	$ 1,188	$ 8,802	$ 188	$ 8,515	$ 2,726	$ 32	$ 72,480

University of Evansville

Consolidated Statements of Cash Flows
Years Ended May 31, 2024 and 2023
(Dollars in Thousands)

	2024	2023
Operating Activities		
Change in net assets	$ 15,629	$ (18,709)
Items not requiring (providing) operating activities cash flows		
Depreciation and amortization	4,704	4,561
Noncash operating lease expenses	193	215
Asset retirement cost	21	22
Net (gain) loss on disposal of fixed assets	-	(450)
Net realized and unrealized (gains) losses on investments	(13,873)	4,068
Contributions restricted for long-term investment	(8,085)	(4,995)
Contributions of noncash assets	(300)	-
Net realized and unrealized (gains) losses on other investments	274	-
Interest, dividends and gains restricted for long-term investments	(79)	(67)
Change in value of beneficial interests in trusts	(7,345)	1,926
Change in fair value of foreign exchange contracts	197	(225)
Reduction of annuities obligations	(287)	-
Changes in		
Accounts and contributions receivable	(2,772)	(42)
Inventories, prepaid expenses and reserves	19	(357)
Beneficial interests in trusts	3,668	2,395
Accounts payable, accrued expenses and postretirement liabilities	489	(422)
Deferred revenue	79	874
Deposits	(180)	(5)
Operating lease liabilities	(193)	(215)
Annuities payable	(222)	173
Net cash used in operating activities	(8,063)	(11,253)
Investing Activities		
Student loan disbursements	(1)	(25)
Repayments and cancellations of student loans	276	687
Purchases of property and equipment	(17,330)	(13,093)
Proceeds from sale of property and equipment	-	1,999
Purchases of investments	(32,406)	(60,954)
Proceeds from sale of investments	31,725	63,714
Change in bond funds held by trustee	14,536	8,538
Net cash provided by (used in) investing activities	(3,200)	866

University of Evansville

Consolidated Statements of Cash Flows (Continued)

Years Ended May 31, 2024 and 2023

(Dollars in Thousands)

	2024	2023
Financing Activities		
Proceeds from contributions restricted for		
Investment in academic projects	$ 1,293	$ 1,738
Investment in endowment	3,366	1,121
Investment in property and equipment	2,571	1,198
Investment in auxiliary enterprises	212	444
Investment in other restricted purposes	643	124
Investment for any activity	-	365
Investment subject to annuity and unitrust agreements	-	5
Proceeds from issuance of long-term debt and notes payable	227	1,142
Principal payments on notes payable, including finance lease obligations	(384)	(174)
Change in refundable government student loan funds	(263)	(367)
Interest and dividends restricted for long-term investments	79	67
Net cash provided by financing activities	7,744	5,663
Decrease in Cash and Cash Equivalents	(3,519)	(4,724)
Cash and Cash Equivalents, Beginning of Year	12,513	17,237
Cash and Cash Equivalents, End of Year	$ 8,994	$ 12,513
Supplemental Cash Flows Information		
Interest paid, net of amount capitalized	$ 4,740	$ 3,682
Noncash Activities		
Change in property and equipment in payables	$ 41	$ (1,747)
Property and equipment reclassified to assets held for sale	$ 599	$ -
Note payable converted to finance lease obligation	$ 752	$ -
Right-of-use assets and liabilities recognized	$ 226	$ 185

Note 1: Nature of Operations and Summary of Significant Accounting Policies

Nature of Operations

The University of Evansville (University) is an independent, privately endowed United Methodist Church-affiliated university. With four colleges and two schools, including Harlaxton College in England, the University provides outstanding educational opportunities in the liberal arts and sciences, as well as selected professions. The University, which offers more than 100 academic areas of study and a full range of degree programs, derives its income from student tuition and fees, investments, gifts and grants, operation of auxiliary enterprises and various related activities.

Principles of Consolidation

The consolidated financial statements include the accounts of the University and its wholly owned subsidiary, Harlaxton College. The accounts of Harlaxton College are based on its fiscal year ended April 30. No significant events occurred between its fiscal year-end and that of the University. All significant intercompany accounts and transactions have been eliminated in consolidation.

Use of Estimates

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues, expenses, gains, losses and other changes in net assets during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

The University considers all liquid investments with original maturities of three months or less to be cash equivalents. Uninvested cash and cash equivalents included in investment accounts are not considered to be cash and cash equivalents. At May 31, 2024 and 2023, cash and cash equivalents consisted primarily of bank deposits and money market funds.

At May 31, 2024, the University's cash accounts, including those within investments, exceeded federally insured limits by approximately $10,573.

Bond funds held by the bond trustee include highly liquid investments not considered to be cash and cash equivalents.

Accounts, Loans and Notes Receivable

Accounts receivable are stated at the amount of consideration from students which the University has an unconditional right to receive, plus any accrued and unpaid interest. The University provides an allowance for credit losses, which is based upon a review of outstanding receivables, historical collection information, and existing economic conditions adjusted for current conditions and reasonable and supportable forecasts. Tuition is generally due at the beginning of the semester unless the student has signed a payment plan. Delinquent receivables are written off based on individual credit evaluation and specific circumstances of the student.

Loans and notes receivable primarily consist of amounts due under the Federal Perkins Loan Program and are stated at their outstanding principal amounts. Loans were made to students based on demonstrated financial need for Perkins loans and satisfaction of federal eligibility requirements for the Federal Perkins Loan Program. Principal and interest payments on loans do not commence until after the borrower graduates or otherwise ceases enrollment. Interest income is recorded as received, which is not materially different from the amount that would have been recognized on the accrual basis. Loans that are delinquent continue to accrue interest. Loans that are past due for at least one payment are considered delinquent. Loans that remain delinquent for longer than 90 days are assigned to a third-party collection agency.

Inventories

Inventories consist of supplies and publications. The University outsources its bookstore operations to a third party. Inventories are stated at the lower of cost or net realizable value. Costs are determined using the first-in, first-out (FIFO) method.

Investments and Net Investment Return

The University measures securities, other than investments that qualify for the equity method of accounting, at fair value. Investments in funds of funds and limited partnerships are recorded at net asset value (NAV), as a practical expedient, to determine fair value of the investments.

Investment return includes dividend, interest and other investment income; realized and unrealized gains and losses on investments carried at fair value; and realized gains and losses on other investments, less external and direct internal investment expenses. Gains and losses on the sale of securities are recorded on the trade date and are determined using the specific-identification method.

Investment return that is initially restricted by donor stipulation and for which the restriction will be satisfied in the same year is included in net assets without donor restrictions. Other investment return is reflected in the consolidated statements of activities with or without donor restrictions based upon the existence and nature of any donor or legally imposed restrictions.

(Dollars in Thousands)

The University maintains pooled investment accounts for its endowments. Investment income and realized and unrealized gains and losses from securities in the pooled investment accounts are allocated to the individual endowments based on the relationship of the fair value of the interest of each endowment to the total fair value of the pooled investments accounts, as adjusted for additions to or deductions from those accounts.

Other Investments

Other investments consisting of stock in privately held companies and other contributed assets are valued at cost (or fair value at time of donation, if acquired by contribution). The University holds a 19.9% investment in the Evansville Academic Health Science and Research Condominium Association, Inc., which manages the Stone Family Center for Health Sciences, and it is accounted for using the equity method of accounting. Other investments are evaluated annually for impairment. No impairment loss was recognized during the years ended May 31, 2024 and 2023.

Property and Equipment

Property and equipment are stated at cost and depreciated on a straight-line basis over the estimated useful life of each asset. Depreciation expense of buildings is allocated to programs on the basis of square footage of the buildings utilized for each program.

The estimated useful lives for each major depreciable classification of property and equipment are as follows:

Building	20–99 years
Furniture and equipment	3–80 years
Land improvements	3–25 years

The University capitalizes interest costs as a component of construction in progress, based on the weighted-average rates paid for long-term borrowing. Total interest incurred each year was:

	2024	2023
Total interest incurred	$ 4,729	$ 4,665
Interest costs capitalized	(1,153)	(1,373)
Interest costs charged to expense	3,576	3,292
Amortization of bond discount and premium	(36)	(36)
Amortization of debt issuance costs	31	31
Total interest expense	$ 3,571	$ 3,287

Long-Lived Asset Impairment

The University evaluates the recoverability of the carrying value of long-lived assets whenever events or circumstances indicate the carrying amount may not be recoverable. If a long-lived asset is tested for recoverability and the undiscounted estimated future cash flows expected to result from the use and eventual disposition of the asset are less than the carrying amount of the asset, the asset cost is adjusted to fair value and an impairment loss is recognized as the amount by which the carrying amount of a long-lived asset exceeds its fair value. No asset impairment was recognized during the years ended May 31, 2024 and 2023.

Asset Retirement Obligation

An asset retirement obligation (ARO) associated with the retirement of a tangible long-lived asset is recognized as a liability in the period in which it is incurred or becomes determinable (as defined by the standard) even when the timing and/or method of settlement may be conditional on a future event. The University's conditional ARO primarily relates to asbestos contained in buildings the University owns. Environmental regulations require the University to handle and dispose of asbestos in a special manner if a building undergoes major renovations or is demolished.

Debt Issuance Costs

Debt issuance costs represent costs incurred in connection with the issuance of long-term debt. The University records these costs as direct deductions from the related debt consistent with debt discounts or premiums. Such costs are being amortized over the term of the respective debt using the effective interest method.

Net Assets

Net assets, revenues, gains and losses are classified based on the existence or absence of donor (or grantor) restrictions.

Net assets without donor restrictions are available for use in general operations and not subject to donor (or certain grantor) restrictions. The board of trustees may designate, from net assets without donor (or certain grantor) restrictions, net assets for operating reserves and board-designated endowment, as well as various projects.

Net assets with donor restrictions are subject to donor (or certain grantor) restrictions. Some restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other restrictions are perpetual in nature, where the donor (or grantor) stipulates that resources be maintained in perpetuity.

Contributions

Contributions are provided to the University either with or without restrictions placed on the gift by the donor. Revenues and net assets are separately reported to reflect the nature of those gifts—with or without donor restrictions.

Conditional gifts, with or without restriction, that depend on the University overcoming a donor-imposed barrier to be entitled to the funds, are not recognized until the gift becomes unconditional, *i.e.,* the donor-imposed barrier is met.

Unconditional gifts of cash, property, equipment and long-lived assets or other assets, with or without restriction, are recognized at their respective fair values. Unconditional gifts due in future years are initially reported at fair value determined using the discounted present value of estimated future cash flows technique. Revenue for unconditional gifts to be collected in future years is also recognized each year as the present-value discount is amortized using the level-yield method.

When a donor-stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the consolidated statements of activities as net assets released from restrictions. Absent explicit donor stipulations for the period of time that long-lived assets must be held, expirations of restrictions for gifts of land, buildings, equipment and other long-lived assets are reported when those assets are placed in service.

Gifts having donor stipulations which are satisfied in the period the gift is received are reported as revenue and net assets without donor restrictions.

The University had a nominal amount of contributed financial assets during 2024 and 2023.

In-Kind Contributions

In addition to receiving cash contributions, the University receives in-kind contributions from various donors. It is the policy of the University to record the estimated fair value of certain in-kind donations as an expense or capital asset in its consolidated financial statements and similarly increase contribution revenue by a like amount. The University had a nominal amount of in-kind gifts in 2024 and 2023.

(Dollars in Thousands)

Tuition and Auxiliary Services Revenue and Deferred Revenue

Tuition and auxiliary revenue are recognized over the term of the semester as the University provides services to students. Revenue is reported at the amount of consideration which the University expects to be entitled in exchange for providing tuition and auxiliary services. The University determines the transaction price based on standard charges for goods and services provided, reduced by discounts provided for scholarships and other price concessions provided to students. Scholarship allowances are the difference between the stated charge for goods and services provided by the University and the amount that is paid by students and/or third parties making payments on the students' behalf.

Revenue from fees for tuition, auxiliary and other services is deferred and recognized over the periods to which the fees relate. Property and equipment contributed to the University under its food services contract are deferred and recognized over the remaining contract period.

Government Grants

Support funded by grants is recognized as the University meets the conditions prescribed by the grant agreement, performs the contracted services or incurs outlays eligible for reimbursement under the grant agreements. Grant activities and outlays are subject to audit and acceptance by the granting agency and, as a result of such audit, adjustments could be required.

Grant Commitments

The University receives grant support through periodic claims filed with the respective funding sources, not to exceed a limit specified in the funding agreements. Since the University's financial statements are prepared on the accrual basis, all earned portions of the grants not yet received as of year-end have been recorded as receivables. Following are the University's significant grant commitments that extend beyond May 31, 2024:

Grant	End of Grant Term	Total Grant Amount	Cumulative Earned Through May 31, 2024	Grant Funding Available as of May 31, 2024
Evansville Promise Neighborhood (A)	March 2028	$ 30,000	$ 1,938	$ 28,062
Other Federal grants	Various through August 2025	$ 3,325	$ 2,113	$ 1,212
Other private grants	Various through December 2026	$ 9,471	$ 2,092	$ 7,379

(A) In March 2023, the University was awarded a $30 million grant from the Department of Education to develop a comprehensive and sustainable cradle-to-career continuum to increase student achievement and success among Evansville's highest-need students, neighborhoods and schools. The grant is known as the Evansville Promise Neighborhood and involves several community partners.

Income Taxes

The University is exempt from income taxes under Section 501 of the Internal Revenue Code and a similar provision of state law. However, the University is subject to federal income tax on any unrelated business taxable income. The University is not considered to be a private foundation. The University files tax returns in the U.S. federal and state jurisdictions.

Functional Allocation of Expenses

The costs of supporting the various programs and other activities have been summarized on a functional basis in the consolidated statements of activities. The consolidated statements of functional expenses present the natural classification detail of expenses by function. Certain costs have been allocated among the program services (instruction, research, public service, academic support, student services, student aid and auxiliary enterprises), management and general, and fundraising (institutional support) based on actual direct expenditures and other methods.

Self-Insurance

The University has elected to self-insure certain costs related to employee health programs. Costs resulting from noninsured losses are charged to expense when incurred. The University has purchased insurance that limits its exposure for individual claims to $175 and its aggregate exposure to approximately $5,354 for the year ended May 31, 2024. The liability for self-insured health claims, which was $552 and $388 as of May 31, 2024 and 2023, respectively, includes an estimate of the ultimate costs for both reported claims and claims incurred but not reported and is included in the consolidated statements of financial position in accrued liabilities.

Transfers Between Fair Value Hierarchy Levels

Transfers in and out of Level 1 (quoted market prices), Level 2 (other significant observable inputs) and Level 3 (significant unobservable inputs) are recognized on the period ending date.

Fundraising

The University expenses fundraising costs as incurred in institutional supporting expenses. Fundraising costs were $1,221 and $1,188 for the years ended May 31, 2024 and 2023, respectively.

Note 2: Revenue from Contracts with Customers

Tuition, Auxiliary and Other Revenue

Revenue from tuition and auxiliary revenue are reported at the amount that reflects the consideration to which the University expects to be entitled in exchange for providing instruction, housing, meal and other services. The amounts are due from students, third-party payers and others, and include variable consideration for institutional scholarships and awards.

Revenue is recognized as performance obligations are satisfied, which is ratably over the academic term. Generally, the University bills students prior to the beginning of the academic term and accounts are due in full prior to the start of instruction. If a student withdraws prior to the beginning of the academic term, the student is generally entitled to a full refund. If the student withdraws after the start of the academic term, the student is entitled to a pro-rated refund based on an established schedule. No refunds are provided after four weeks. The University determines the refund liability at year-end based on actual experience subsequent to year-end.

Certain auxiliary and other service revenue is recognized over time ratably based on time elapsed. The University believes this is a faithful depiction of the transfer of services over the term of the performance obligation, a so-called input method. Revenue for certain transactions is satisfied at a point in time as goods are provided to students or customers and the University does not believe it is required to provide additional goods or services related to that sale.

Tuition, housing, and meal plan services are considered to be separate performance obligations. The University determines the transaction price for services based on standard charges, reduced by discounts provided for scholarships and other price concessions provided to students. Tuition and auxiliary services are considered to be separate contracts.

Because its performance obligations relate to contracts with a duration of less than one year, the University has elected to apply the optional exemption provided in Accounting Standards Codification (ASC) 606-10-50-14(a) and, therefore, is not required to disclose the aggregate amount of the transaction price allocated to performance obligations that are unsatisfied or partially unsatisfied at the end of the reporting period. The unsatisfied or partially unsatisfied performance obligations referred to above are primarily related to providing instruction to students. The performance obligations for these contracts are generally completed when the academic term is completed.

The University has contracts that are partially satisfied as of May 31, 2024 and 2023, which are included in deferred revenue within the consolidated statements of financial position.

(Dollars in Thousands)

From time to time the University will receive overpayments or prepayments of balances from third-party payers or students resulting in amounts refundable to the student. These amounts are excluded from revenues and are recorded as liabilities until they are refunded or ultimately recognized from the completion of services. As of May 31, 2024 and 2023, the University has liabilities recorded for student deposits, prepayments, refund liabilities and other deferred services reported as deferred revenue and deposits within the consolidated statements of financial position.

Disaggregation of Revenue

The composition of revenue based on timing of revenue recognition for the years ended May 31, 2024 and 2023, is as follows:

	2024	2023
Timing of revenue and recognition		
Services transferred over time	$ 46,121	$ 44,746
Sales at a point in time	3,947	3,876
	$ 50,068	$ 48,622

Contract Balances

Contract liabilities represent the University's obligation to transfer goods or services to a customer when consideration has already been received from the customer. Significant changes in contract liabilities during the period are as follows:

	2024	2023
Balance, beginning of year		
Effects of	$ 6,541	$ 5,667
Revenue recognized that was included in deferred revenue at the beginning of the period	(6,541)	(5,667)
Increases due to cash received, excluding amounts recognized as revenue during the period	6,620	6,541
Balance, end of year	$ 6,620	$ 6,541

At May 31, 2024 and 2023, the University's deferred tuition revenue is expected to be recognized when the summer and fall terms are completed.

(Dollars in Thousands)

The following table provides information about the University's receivables from contracts with customers:

	2024	2023
Accounts receivable, net, beginning of year	$ 1,718	$ 1,689
Accounts receivable, net, end of year	$ 2,249	$ 1,718

Note 3: Contributions Receivable

Contributions receivable consisted of the following:

	2024		
	Without Donor Restriction	With Donor Restriction	Total
Due within one year	$ 2,400	$ 876	$ 3,276
Due in one to five years	-	1,901	1,901
Due after five years	-	140	140
	2,400	2,917	5,317
Less			
Allowance for uncollectible pledges	-	54	54
Unamortized discount	-	174	174
	$ 2,400	$ 2,689	$ 5,089

	2023		
	Without Donor Restriction	With Donor Restriction	Total
Due within one year	$ 5	$ 978	$ 983
Due in one to five years	-	1,902	1,902
Due after five years	-	154	154
	5	3,034	3,039
Less			
Allowance for uncollectible pledges	-	31	31
Unamortized discount	-	160	160
	$ 5	$ 2,843	$ 2,848

Discount rates ranging from 0.7% to 5.1% were used for 2024 and 2023.

(Dollars in Thousands)

Contributions receivable designated for specific purposes at May 31, 2024 and 2023, were as follows:

	2024	2023
Scholarships	$ 310	$ 245
Campus improvements	130	12
Capital campaign	451	1,144
Instruction and institutional support	1,586	1,282
Auxiliary	211	97
Other	2,401	68
	$ 5,089	$ 2,848

Note 4: Investments and Investment Return

Investments at May 31, 2024 and 2023, consisted of the following:

	2024	2023
Short-term investments and cash equivalents	$ 9,648	$ 5,188
U.S. Government securities	116	116
Corporate bonds	633	969
Common and preferred stocks	13,922	11,736
Exchange traded funds	6,741	8,841
Mutual funds		
Broad domestic fixed	17,331	17,715
Large cap funds	28,267	22,542
Mid cap funds	5,544	4,755
Small cap funds	4,772	4,034
International equity funds	20,681	19,094
Blended	4,593	4,422
Municipal bonds	25	35
Funds of funds – alternative investments	14,274	12,744
Limited partnerships – alternative investments	1,005	1,189
	$ 127,552	$ 113,380

Investments held under split-interest agreements with a market value of $3,931 and $4,503 as of May 31, 2024 and 2023, respectively, are included in the above investments.

(Dollars in Thousands)

The following schedules summarize the investment return and its classification in the consolidated statements of activities:

	May 31, 2024		
	Without Donor Restrictions	With Donor Restrictions	Total
Summary of investment return			
Dividends and interest, net	$ 1,760	$ 2,944	$ 4,704
Net realized gains (losses)	88	1,183	1,271
Net unrealized gains (losses)	4,999	7,603	12,602
Total gain (loss) on investments	$ 6,847	$ 11,730	$ 18,577
Classification in the consolidated statement of activities			
Investment return designated for current operations	$ 4,222	$ 936	$ 5,158
Other investment income	1,839	161	2,000
Investment return in excess of (below) amounts designated for current operations	786	10,633	11,419
	$ 6,847	$ 11,730	$ 18,577

	May 31, 2023		
	Without Donor Restrictions	With Donor Restrictions	Total
Summary of investment return			
Dividends and interest, net	$ 1,524	$ 2,553	$ 4,077
Net realized gains	59	(4,113)	(4,054)
Net unrealized gains (losses)	3,538	(3,167)	371
Total gain (loss) on investments	$ 5,121	$ (4,727)	$ 394
Classification in the consolidated statement of activities			
Investment return designated for current operations	$ 4,027	$ 1,014	$ 5,041
Other investment income	1,608	96	1,704
Investment return in excess of (below) amounts designated for current operations	(514)	(5,837)	(6,351)
	$ 5,121	$ (4,727)	$ 394

(Dollars in Thousands)

State law allows the board to appropriate as much of the net appreciation as is prudent considering the University's long and short-term needs, present and anticipated financial requirements, expected total return on its investments, price-level trends and general economic conditions. Under the University's endowment spending policy, a board-authorized percentage of the 12-quarter moving average of the fair value of the endowment investments is appropriated to support current operations. The authorized spending rate for current operations was 5.0% for each of the 2024 and 2023 years. Special allotments are also designated by the board to support a portion of the annual interest on the bond issuances and strategic initiatives. The authorized spending rate for special allotments for 2024 and 2023 included 0.3% and 0.4%, respectively, for a portion of the annual interest on the bond issuances.

Alternative Investments

Except as described below, the fair value of alternative investments has been estimated using the NAV per share of the investments. Alternative investments held at May 31, 2024 and 2023, consist of the following:

	2024			
	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Commonfund Global Distressed Debt (A)	$ -	$ -	N/A	N/A
Commonfund Venture Partners (B)	514	33	N/A	N/A
Commonfund International Private Equity (C)	65	58	N/A	N/A
Commonfund Private Equity (D)	249	122	N/A	N/A
Commonfund Natural Resources (E)	177	29	N/A	N/A
Black Diamond Arbitrage, Ltd. (F)	3,045	-	Monthly	45 days
Weatherlow Offshore Fund I Ltd. (G)	11,229	-	Quarterly	65 days
	$ 15,279	$ 242		

(Dollars in Thousands)

	2023			
	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Commonfund Global Distressed Debt (A)	$ -	$ 153	N/A	N/A
Commonfund Venture Partners (B)	574	33	N/A	N/A
Commonfund International Private Equity (C)	76	89	N/A	N/A
Commonfund Private Equity (D)	306	124	N/A	N/A
Commonfund Natural Resources (E)	233	29	N/A	N/A
Black Diamond Arbitrage, Ltd. (F)	2,899	-	Monthly	45 days
Weatherlow Offshore Fund I Ltd. (G)	9,845	-	Quarterly	65 days
	$ 13,933	$ 428		

(A) This category includes investments in partnerships offered by top-tier distressed debt managers. The partnership's objective is to pursue a global program of turnaround and distressed investing by pursuing active trading and financing strategies on a global basis.

(B) This category includes investments in target funds, which make venture capital investments primarily in emerging growth companies with the objective of obtaining long-term growth capital. The partnership was scheduled to terminate on March 31, 2017. On March 31, 2017, the General Partner extended the terms of the partnership to allow the partnership to continue until the last investment is disposed of and liquidation occurs. The general partner's determination of fair value is based upon the best available information provided by the limited partnerships and may incorporate management assumptions and best estimates after considering a variety of internal and external factors. Such value generally represents the partnership's proportionate share of the partner's capital of the investment partnerships as reported by their general partners. Accordingly, the value of the investment in the underlying partnerships is generally increased by additional contributions to the underlying partnerships and the partnership's share of net earnings from the underlying partnership investments and decreased by distributions from the underlying partnerships and the partnership's share of net losses from the underlying partnership investments. The general partner distributes cash generated from operations and proceeds from sales of the partnership's assets to the limited partners, based on each partner's proportionate share of the aggregate limited partners' capital. Limited partners are not permitted to withdraw from the partnership or to withdraw any portion of their capital accounts, except under certain limited circumstances.

(C) This category includes investments in limited partnerships, which make international private equity investments with the objective of obtaining long-term growth of capital. Most investment partnerships have an original term of 10 years, with the right to extend the term of the investment partnership up to two to four years. The partnership was scheduled to terminate. However, the general partner extended the terms of the partnership until February 9, 2022. The partnership will continue until the last investment is disposed of and liquidation occurs. The limited partnership investments are presented at fair value, as determined by the general partner. The general partner's determination of fair value is based upon the best available information provided by the limited partnerships and may incorporate management assumptions and best estimates after considering a variety of internal and external factors. The general partner distributes cash generated from operations and proceeds from sales of the partnership's assets to the limited partners, based on each partner's proportionate share of the aggregate limited partners' capital. Limited partners are not permitted to withdraw from the partnership or to withdraw any portion of their capital accounts, except under certain limited circumstances.

(D) This category includes investments in private limited partnerships, which make investments in equity securities, warrants or other options that are generally not actively traded at the time of investment. The partnership was scheduled to terminate March 31, 2017. However, the general partner extended the terms of the partnership to March 31, 2020, in accordance with the provisions of the partnership agreement. The partnership will continue until the last investment is disposed of and liquidation occurs. The limited partnership investments are presented at fair value, as determined by the general partner. The general partner's determination of fair value is based upon the best available information provided by the limited partnerships and may incorporate management assumptions and best estimates after considering a variety of internal and external factors. The general partner distributes cash generated from operations and proceeds from sales of the partnership's assets to the limited partners, based on each partner's proportionate share of the aggregate limited partners' capital. Limited partners are not permitted to withdraw from the partnership or to withdraw any portion of their capital accounts, except under certain limited circumstances.

(E) This category includes investments in limited partnerships, which make oil, gas and timber investments with the objective of obtaining long-term growth of capital. Fairfield Partners, a Delaware limited liability company and a wholly owned subsidiary of Commonfund Capital, Inc., serves as the general partner of the partnership. The partnership was scheduled to terminate on August 19, 2020. However, the general partner extended the terms of the partnership until August 13, 2021, in accordance with the provisions of the partnership agreement. The Partnership will continue until the last investment is disposed of and liquidation occurs. The general partners of the underlying investment partnerships generally value their investments at fair value. The general partner distributes, on a quarterly basis, cash generated from operations and proceeds from sales of the partnership's assets to the limited partners, based on each partner's proportionate share of the aggregate limited partners' capital. Limited partners are not permitted to withdraw from the partnership or to withdraw any portion of their capital accounts, except under certain limited circumstances.

(F) This category invests substantially all of its assets through Black Diamond Arbitrage Intermediate Ltd. (the Intermediate Fund), a Cayman Islands exempted company, which in turn invests all or substantially all of its assets in Black Diamond Arbitrage Offshore Ltd. (the Master Fund). Carlson Capital GP, L.P. (CCGP), a Delaware limited partnership, has subscribed for shares in the Intermediate Fund (the noncontrolling interest) which allows CCGP to receive a performance allocation from the Intermediate Fund, if applicable. The objective of the Master Fund is to invest in securities of companies involved in mergers or acquisitions, but may also seek investment opportunities driven by companies experiencing restructurings, bankruptcies, spin-offs, changes in management and/or corporate governance, significant litigation, or companies that maintain dual share class structures. Shares may generally be redeemed from the fund in full or in part effective as of any redemption day, upon at least 45 days' prior written notice, on a first-in, first-out basis.

(G) This category invests substantially all of its assets through the Weatherlow Fund I L.P. (the Master Fund). The objectives of the Master Fund are to invest predominantly in limited partnerships and similar pooled investment vehicles. With respect to Class II shares, they may be redeemed upon not less than 65 days' prior written notice on a quarterly basis that ends at least 36 full months after the issuance of such shares or upon not less than 15 days' written notice prior to the end of the 21st month following the issuance of such shares, or upon not less than 15 days' written notice prior to the end of any month thereafter through the 30th month following the date such shares were issued. Additional exchange rights exist prior to the completion of the three-year holding period as defined in the subscription agreement. As of January 1, shareholders may request, upon 65 days' prior written notice, to exchange shares in their current class of shares for the class of shares with the same redemption rights as their current shares but with different fee terms.

Note 5: Endowment Investments

A summary of endowment investments and their market value is presented below. These amounts are included within investments in the consolidated statements of financial position. Total endowment investments include both donor-restricted and quasi (board designated) investments. At May 31, 2024 and 2023, the fair value of certain endowment funds was $7,014 and $12,916, respectively, less than the value of the donors' original gifts. Included in these totals are the University's pooled endowment funds, the fair values of which exceeded original donor gift values (fell below the original donor gift values) by $1,029 and $(9,389) at May 31, 2024 and 2023, respectively.

(Dollars in Thousands)

	2024	2023
Short-term investments and cash equivalents	$ 3,551	$ 2,143
Common and preferred stocks	11,055	8,680
Real estate and other	42	42
Life insurance	131	119
Mutual funds		
Broad domestic fixed	17,331	17,715
Large cap funds	28,267	22,542
Mid cap funds	5,544	4,755
Small cap funds	4,772	4,034
International equity funds	20,681	19,094
Funds of funds – alternative investments	14,274	12,744
Limited partnerships – alternative investments	1,005	1,189
Other investments	204	204
	$ 106,857	$ 93,261

Income earned from endowment investments and related distributions are presented below:

	2024	2023
Sources		
Corporate stocks and other	$ 160	$ 141
Mutual funds – commodities	2,662	2,472
Real estate and oil leases	200	(129)
Gains	2,136	2,557
	$ 5,158	$ 5,041
Disposition of income		
Unrestricted purposes	$ 41	$ 1
Scholarships and institutional support	3,647	3,545
Other	1,470	1,495
	$ 5,158	$ 5,041

Endowment investment earnings are included in investment return designated for current operations on the consolidated statements of activities.

(Dollars in Thousands)

Note 6: Student Loans Receivable

The University makes uncollateralized loans to students through its participation in the Federal Perkins and Nursing Loan programs. The availability of funds under the Federal Perkins and Nursing Loan programs was historically dependent on reimbursement to the loan fund from repayments on outstanding loans. Beginning October 1, 2018, no new Federal Perkins loans may be issued pursuant to expiration of the Perkins Loan program. Funds advanced by the federal government totaled $1,389 and $1,652 as of May 31, 2024 and 2023, respectively. These advances are ultimately refundable to the federal government and are classified as liabilities in the consolidated statements of financial position. Outstanding loans canceled under the program result in a reduction of funds available for future loans and a decrease in the University's liability to the federal government.

Allowances for credit losses are established based on current economic factors and specific circumstances of the borrower, which, in management's judgment, could influence the ability of the borrower to repay the amounts per the loan terms. For the Federal Perkins Loan program, the federal government bears the risk of loss of uncollectible loans, provided the University performs required collection due diligence procedures. The University does not stop the accrual of interest until a loan is written off; therefore, the University has no loans on nonaccrual status.

Student loans receivable at May 31, 2024 and 2023, include:

	2024	2023
Student loans receivable – federal government programs	$ 845	$ 1,120

As of May 31, 2024 and 2023, the amounts past due under the University's student loan programs were approximately 17% and 9% of outstanding receivables, respectively.

Note 7: Beneficial Interest in Trusts

Beneficial Interest – Perpetual Trusts

The University is the beneficiary under perpetual trusts administered by outside parties. Under the terms of the trusts, the University has the irrevocable right to receive income earned on the trust assets in perpetuity, but never receives the assets held in trust. The estimated value of the expected future cash flows is $15,559 and $14,156, which represents the fair value of the trust assets at May 31, 2024 and 2023, respectively. On an annual basis, the University revalues these assets based on the current fair market value of the trusts.

Income from the trusts is distributed to the University and used for scholarships and funding of a department chair. Change in beneficial interests in trusts in the consolidated statements of activities for 2024 and 2023 includes $1,403 and $(1,223), respectively, of asset appreciation (depreciation) for these trusts.

Beneficial Interest – Nonperpetual Trust

The University was also named beneficiary under a trust administered by an outside party. Under the terms of this trust, the trustee may distribute annually from both income and principal at the trustee's discretion. The distributions may be used at the University's discretion. The estimated value of the expected future cash flows is $35,990 and $33,776, which represents the fair value of the trust assets at May 31, 2024 and 2023, respectively. Changes in beneficial interest in trust in the consolidated statements of activities were $5,883 and $(648) of asset appreciation (depreciation) for 2024 and 2023, respectively, for this trust.

Beneficial Interest – Charitable Remainder Trust

In addition, the University has been named a secondary beneficiary in a charitable remainder trust administered by an outside party. Upon termination of the trust, the University will receive either a specified percentage of the assets or the entire amount remaining in the trust. Prior to actual termination of the trust and transfer of assets, the University records the present value of the estimated residual benefits as an asset. At May 31, 2024 and 2023, the residual benefits were valued at $836 and $776, respectively. Change in beneficial interests in trusts in the consolidated statements of activities for 2024 and 2023 includes $59 and $(55), respectively, of asset appreciation (depreciation) for this trust.

Note 8: Refundable U.S. Government Student Loan Funds

This liability represents funds advanced to provide educational assistance for eligible students. Under the terms of the agreement, the federal government contributes a significant portion of the capital of the loan fund, with the University contributing the balance. The student loans are evidenced by unsecured promissory notes bearing interest of 5% per annum on the unpaid balance.

(Dollars in Thousands)

Note 9: Property, Equipment and Other Assets

Property, equipment and other assets at May 31, 2024 and 2023, consisted of:

	2024	2023
Buildings	$ 190,621	$ 189,598
Furniture and equipment	67,187	65,657
Equipment under finance lease obligations	851	-
Collections	1,190	1,190
Land improvements	2,860	2,860
	262,709	259,305
Accumulated depreciation and amortization	(108,746)	(104,636)
	153,963	154,669
Construction in progress	18,590	5,904
Real estate	5,901	5,901
	$ 178,454	$ 166,474

Note 10: Lines of Credit, Notes Payable to Bank and Finance Lease Obligations

	2024	2023
Line of credit (A)	$ -	$ -
Line of credit (B)	-	-
Note payable (C)	-	752
Finance lease obligations (C)	636	-
Note payable (D)	750	845
Note payable (E)	305	251
	$ 1,691	$ 1,848

(A) Unsecured revolving line of credit with maximum draw available of $4,500: interest payable monthly at prime minus .50% (at May 31, 2024, the effective rate was 8.00%); maturing December 7, 2024.

(B) Unsecured revolving line of credit with maximum draw available of $2,500; interest payable monthly at prime minus .50%, with a floor of 5.00%; maturing July 30, 2024 (at May 31, 2024, the effective rate was 8.00%). Subsequent to year-end, the line of credit was extended to December 30, 2024.

(Dollars in Thousands)

(C) Note payable to a leasing entity for future equipment finance lease not commenced as of May 31, 2023; during 2024, the note was converted to a finance lease obligation with monthly payments of $139 including interest and maturing in July 2028.

(D) Note with a bank, originally with a maximum draw available of $845; note bears interest at a fixed rate of 4.89%; annual payments of $116 through maturity of June 14, 2031. Secured by pledges specific to the financed improvement project.

(E) Note with a bank, originally with a maximum draw available of $524; note bears interest at a fixed rate of 4.87%; quarterly payments of $47 through maturity of October 14, 2025. Secured by pledges specific to the financed improvement project.

Aggregate annual maturities of notes payable and finance lease obligations at May 31, 2024, were:

	Notes Payable (Excluding Leases)	Finance Lease Obligations
2025	$ 254	$ 139
2026	213	138
2027	87	139
2028	92	139
2029	96	138
Thereafter	313	-
	$ 1,055	693
Less amount representing interest		57
Present value of future minimum lease payments		$ 636

Equipment under finance lease obligations had an original cost and accumulated depreciation of $851 and $78, respectively as of May 31, 2024.

(Dollars in Thousands)

Note 11: Long-Term Debt

	2024	2023
Educational Facilities Revenue Bonds Bonds payable, 2022A Series (A)	$ 83,115	$ 83,115
Educational Facilities Revenue Bonds Bonds payable, 2022B Series (B)	4,180	4,180
	87,295	87,295
Less unamortized discount on bonds	1,706	1,749
Less unamortized premium on bonds	(353)	(432)
Less unamortized debt issuance costs	905	935
	$ 85,037	$ 85,043

(A) Educational Facilities Revenue Bonds, Series 2022A (tax-exempt) issued by the Indiana Finance Authority (Authority). Bonds bear interest from 5.0% to 5.25% and mature September 1, 2057. Interest payments begin March 1, 2023, and on each March 1 and September 1 after that date. Principal payments commence September 1, 2024. The Series 2022A bonds maturing on or after September 1, 2033, are subject to redemption at the option of the Authority at the discretion of the borrower on or after September 1, 2032, in whole or in part. The Series 2022A bonds maturing on September 1 of the years 2037, 2044 and 2057 are subject to mandatory sinking fund redemption requirements as set forth in the agreements. The bonds are collateralized by all rights, titles and interest of the Authority in the loan agreements and notes and gross revenues as defined in the agreements.

(B) Educational Facilities Revenue Bonds, Series 2022B (taxable) issued by the Indiana Finance Authority. Bonds bear interest at 7.0% and mature September 1, 2032. Interest payments begin March 1, 2023, and on each March 1 and September 1 after that date. Principal payments commence September 1, 2024. The Series 2022B bonds are subject to optional redemption prior to maturity, at the discretion of the University, in whole or in part, at the then-determined make-whole redemption price. The Series 2022B bonds maturing on September 1, 2032, are subject to mandatory sinking fund redemption requirements as set forth in the agreements. The bonds are collateralized by all rights, titles and interest of the Authority in the loan agreements and notes and gross revenues as defined in the agreements.

In connection with the bond agreements, the note payable and lines of credit, the University is required, among other things, to comply with certain restrictive financial covenants, including debt service coverage requirements beginning in 2025, among other requirements.

(Dollars in Thousands)

Aggregate annual maturities of long-term debt at May 31, 2024, were:

2025	$	1,385
2026		1,455
2027		1,945
2028		2,050
2029		2,160
Thereafter		78,300
	$	87,295

Note 12: Derivative Financial Instruments

Foreign Exchange Contracts

As a strategy to maintain acceptable levels of exposure to the risk of future cash flows of Harlaxton College due to foreign currency exchange fluctuations between the U.S. dollar and British pound, the University has entered into various forward contract agreements with banks. At May 31, 2024, the University held forward contracts to purchase pounds equivalent to approximately $2,000 through 2025. The contracts are recorded at fair value with subsequent changes in fair value included in the consolidated statements of activities under other changes in net assets.

The table below presents certain information regarding the University's foreign exchange contracts:

	2024	2023
Fair value of foreign exchange contracts	$ (10)	$ 186
Change in fair value of foreign exchange contracts recognized in change in net assets without donor restrictions	$ (197)	$ 225

Note 13: Annuities Payable

The University has been the recipient of and serves as trustee of several trust and gift annuities which require future payments to the donor or their named beneficiaries. The assets received from the donor are recorded at fair value. The University has recorded a liability at May 31, 2024 and 2023, of $1,327 and $1,836, respectively, which represents the present value of the future annuity obligations. The liability has been determined using discount rates ranging from 1% to 12% based on the annuitant's life expectancy and stated return of each annuity agreement.

Note 14: Net Assets

Net Assets Without Donor Restrictions

In addition to the board-designated endowment, net assets without donor restrictions at May 31, 2024 and 2023, were board designated for special projects of $939 and $1,200, respectively.

(Dollars in Thousands)

Net Assets with Donor Restrictions

Net assets with donor restrictions at May 31, 2024 and 2023, were restricted for the following purposes:

	2024	2023
Subject to expenditure for a specific purpose		
Capital improvements	$ 12,843	$ 12,130
Student services	449	932
Instruction, academic and institutional support	15,638	15,750
Student aid	1,050	1,245
Auxiliary enterprises	531	619
Other	1,143	1,140
Life income and annuity funds	1,101	1,129
	32,755	32,945
Subject to the passage of time		
Beneficial interests in trusts held by others	35,990	33,776
Any activity of the University, time restricted	15,994	9,062
	51,984	42,838
Investment in perpetuity, the income of which is expendable to support		
Campus improvements	293	291
Student services	2,652	2,650
Instruction, academic and institutional support	32,430	31,179
Student aid	79,601	76,025
Auxiliary enterprises	740	740
Other	260	200
Life income and annuity funds	1,136	1,134
Any activity of the University	7,772	7,735
	124,884	119,954
Subject to endowment spending policy and appropriation		
Underwater endowments	(7,014)	(12,916)
	$ 202,609	$ 182,821

(Dollars in Thousands)

Net Assets Released from Restrictions

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by donors.

	2024	2023
Purpose restrictions accomplished		
Student services	$ 337	$ 368
Instruction, academic and institutional support	4,131	6,146
Scholarships	785	495
Auxiliary enterprises	637	343
Other	2,713	299
Any activity of the University	3,368	2,490
Net assets released from restrictions	11,971	10,141
Net assets released from restrictions – capital improvements	1,306	1,914
	$ 13,277	$ 12,055

It is the University's policy to recognize assets released from restrictions for capital improvements as other changes in net assets in the year the improvements are placed in service, unless the capital improvements relate to funding from previously restricted grants or other contributions.

Note 15: Endowment Policy and Activity

The University's endowment consists of approximately 600 individual funds established for a variety of purposes. The endowment includes both donor-restricted endowment funds and funds designated by the governing body to function as endowments (board-designated endowment funds). As required by accounting principles generally accepted in the United States of America, net assets associated with endowment funds, including board-designated endowment funds, are classified and reported based on the existence or absence of donor-imposed restrictions.

The University's governing body is subject to the *State of Indiana Prudent Management of Institutional Funds Act* (SPMIFA) and, thus, classifies amounts in its donor-restricted endowment funds as net assets with donor restrictions because those net assets are time restricted until the governing body appropriates such amounts for expenditures. Most of those net assets also are subject to purpose restrictions that must be met before reclassifying those net assets to net assets without donor restrictions. The governing body of the University has interpreted SPMIFA as not requiring the maintenance of purchasing power of the original gift amount contributed to an endowment fund, unless a donor stipulates the contrary. As a result of this interpretation, when reviewing its donor-restricted endowment funds, the University considers a fund to be underwater if the fair value of the fund is less than the sum of (a) the original value of initial and subsequent gift amounts donated to the fund and (b) any accumulations to the fund that are required to be maintained in perpetuity in accordance with the direction of the applicable donor gift instrument. The University has interpreted SPMIFA to permit spending from certain underwater funds in accordance with the prudent measures required under the law.

(Dollars in Thousands)

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

Duration and preservation of the fund

1. Purposes of the University and the fund
2. General economic conditions
3. Possible effect of inflation and deflation
4. Expected total return from investment income and appreciation or depreciation of investments
5. Other resources of the University
6. Investment policies of the University

The composition of net assets by type of endowment fund at May 31, 2024 and 2023, was:

	2024		
	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted endowment funds	$ -	$ 165,146	$ 165,146
Board-designated endowment funds	875	-	875
Total endowment funds	$ 875	$ 165,146	$ 166,021

	2023		
	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted endowment funds	$ -	$ 147,814	$ 147,814
Board-designated endowment funds	631	-	631
Total endowment funds	$ 631	$ 147,814	$ 148,445

(Dollars in Thousands)

Changes in endowment net assets for the years ended May 31, 2024 and 2023, were:

	2024		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	$ 631	$ 147,814	$ 148,445
Investment return, net	4,349	11,192	15,541
Contributions	-	3,289	3,289
Change in understanding of donor intent	-	175	175
Appropriation of endowment assets for expenditure	(4,105)	(4,537)	(8,642)
Actuarial adjustment on annuities	-	(132)	(132)
Change in beneficial interests in trusts	-	7,345	7,345
Endowment net assets, end of year	$ 875	$ 165,146	$ 166,021

	2023		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	$ 753	$ 156,069	$ 156,822
Investment return, net	3,904	(4,827)	(923)
Contributions	-	1,294	1,294
Change in understanding of donor intent	-	62	62
Appropriation of endowment assets for expenditure	(4,026)	(2,866)	(6,892)
Actuarial adjustment on annuities	-	8	8
Change in beneficial interests in trusts	-	(1,926)	(1,926)
Endowment net assets, end of year	$ 631	$ 147,814	$ 148,445

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level the University is required to retain as a fund of perpetual duration pursuant to donor stipulation or SPMIFA. In accordance with accounting principles generally accepted in the United States of America, deficiencies of this nature are reported in net assets with donor restrictions and aggregated $7,014 and $12,916 at May 31, 2024 and 2023, respectively. These deficiencies resulted from unfavorable market fluctuations that occurred after investment of new restricted contributions and continued appropriation for certain purposes that was deemed prudent by the governing body.

(Dollars in Thousands)

The University has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs and other items supported by its endowment while seeking to maintain the purchasing power of the endowment. Endowment assets include those assets of donor-restricted endowment funds the University must hold in perpetuity or for donor-specified periods, as well as those of board-designated endowment funds. Under the University's policies, endowment assets are invested in a manner that is intended to produce results that equal or exceed the spending rate, plus inflation, over a market cycle and equal or exceed the average return of appropriate capital market indices weighted by the asset allocation target percentages over a rolling five-year period while assuming a minimum level of investment risk. Actual returns in any given year may vary from this amount.

To satisfy its long-term rate of return objectives, the University relies on a total return strategy in which investment returns are achieved through both current yield (investment income, such as dividends and interest) and capital appreciation (both realized and unrealized). The University targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

The University has a policy (the spending policy) of appropriating for expenditure each year 5% of its endowment fund's average fair value over the prior 12 quarters, plus a portion of the annual interest on the bond issuances. In establishing this policy, the University considered the long-term expected return on its endowment. Accordingly, over the long term, the University expects the current spending policy to create intergenerational equity over the long-term life of the endowment. This is consistent with the University's objective to maintain the purchasing power of endowment assets held in perpetuity or for a specified term, as well as to provide additional real growth through new gifts and investment return.

Note 16: Liquidity and Availability

The University's financial assets were comprised of the following as of May 31, 2024 and 2023:

	2024	2023
Cash and cash equivalents	$ 8,994	$ 12,513
Accounts receivable, net	2,249	1,718
Contributions receivable, net	5,089	2,848
Investments	127,552	113,380
Other investments	1,111	1,003
Bond funds held by trustee	5,104	19,640
Student loans and notes receivable, net	845	1,120
Beneficial interests in trusts	52,385	48,708
Total financial assets at year-end	$ 203,329	$ 200,930

(Dollars in Thousands)

Financial assets available for general expenditure, *i.e.*, without donor or other restrictions limiting their use, within one year of May 31, 2024 and 2023, comprise the following:

	2024	2023
Cash and cash equivalents	$ 8,994	$ 12,513
Accounts receivable, net	1,355	1,210
Contributions receivable, net	2,432	177
Payout on donor-restricted endowments	5,278	5,014
Payout on board-designated endowments	70	71
Investments not subject to donor or board restrictions	4,871	4,442
Beneficial interests in trusts distribution convertible to cash in the next 12 months	2,603	2,493
	$ 25,603	$ 25,920

The University regularly monitors liquidity required to meet its operating needs and other contractual commitments, while also striving to maximize the investment of its available funds. For purposes of analyzing resources available to meet general expenditures over a 12-month period, the University considers all expenditures related to its ongoing mission-related activities, as well as the conduct of services undertaken to support those activities to be general expenditures.

Student loan receivables are not considered to be available to meet general expenditures because they are loans funded from federal loan contributions not to be used for general expenditures.

The University's endowment funds consist of donor-restricted endowments and funds designated by the board as endowments. Income from donor-restricted endowments is restricted for specific purposes, with the exception of the amounts available for general use. Donor-restricted endowment funds are not available for general expenditure.

In addition to the financial assets available for general expenditure shown above, the University has a beneficial interest in trust administered by an outside party. Under the terms of this trust, the trustee may distribute annually from both income and principal at the trustee's discretion. The distributions may be used at the University's discretion. The fair value of the beneficial interest in trust subject to the trustee's discretion, less expected distribution convertible to cash in the next 12 months presented above, was $34,191 and $32,087 as of May 31, 2024 and 2023, respectively.

The board-designated endowment is subject to an annual spending rate as described in Note 15. Although the University does not intend to spend from this board-designated endowment (other than amounts appropriated for general expenditure as part of the board's annual budget approval and appropriation), these amounts could be made available if necessary. To help manage unanticipated liquidity needs, the University has various sources of liquidity available, including cash and cash equivalents, marketable debt and equity securities, and committed lines of credit available as disclosed in Note 10.

Note 17: Leases

Accounting Policies

The University determines if an arrangement is a lease or contains a lease at inception. Leases result in the recognition of right-of-use (ROU) assets and lease liabilities on the consolidated statements of financial position. ROU assets represent the right to use an underlying asset for the lease term, and lease liabilities represent the obligation to make lease payments arising from the lease, measured on a discounted basis. The University determines lease classification as operating or finance at the lease commencement date.

The University combines lease and nonlease components, such as common area and other maintenance costs, in calculating the ROU assets and lease liabilities for its office buildings and employee vehicles. In addition, for certain equipment leases, the University applies a portfolio approach to effectively account for the operating lease ROU assets and liabilities.

At lease inception, the lease liability is measured at the present value of the lease payments over the lease term. The ROU asset equals the lease liability adjusted for any initial direct costs, prepaid or deferred rent, and lease incentives. The University has made a policy election to use a risk-free rate (the rate of a zero-coupon U.S. Treasury instrument) for the initial and subsequent measurement of all lease liabilities. The risk-free rate is determined using a period comparable with the lease term.

The lease term may include options to extend or to terminate the lease that the University is reasonably certain to exercise. Lease expense is generally recognized on a straight-line basis over the lease term.

The University has elected not to record leases with an initial term of 12 months or less on the consolidated statements of financial position. Lease expense on such leases is recognized on a straight-line basis over the lease term.

All Leases

The University has no related-party leases. Additionally, the University's lease agreements do not contain any material residual value guarantees or material restrictive covenants.

As of May 31, 2023, the University had entered into an additional finance lease for equipment that had not yet commenced as of May 31, 2023. This finance lease commenced during 2024 and is further described below.

Operating Leases

The University has several noncancelable operating leases, primarily for vehicles and equipment, through 2030.

(Dollars in Thousands)

Finance Leases

The University entered into finance lease obligations in 2024 as further described in Note 10.

Quantitative Disclosures

The lease cost and other required information for the years ended May 31, 2024 and 2023, are:

	2024	2023
Lease cost		
Operating lease cost	$ 193	$ 220
Short-term lease cost	75	75
Finance lease cost		
Amortization of right-of-use asset	78	-
Interest on lease liabilities	23	-
Total lease cost	$ 369	$ 295
Other information		
Cash paid for amounts included in the measurement of lease liabilities		
Operating cash flows from operating leases	$ 215	$ 215
Financing cash flows from finance leases	$ 116	$ -
Right-of-use assets obtained in exchange for new operating lease liabilities	$ 226	$ 185
Right-of-use assets obtained in exchange for new finance lease liabilities	$ 752	$ -
Weighted-average remaining lease term		
Operating leases	3.9 years	2.5 years
Finance leases	4.1 years	n/a
Weighted-average discount rate		
Operating leases	3.37%	1.95%
Finance leases	3.00%	n/a

(Dollars in Thousands)

Future minimum lease payments at May 31, 2024, for operating leases were:

2025	$	124
2026		92
2027		57
2028		35
2029		28
Thereafter		27
Total lease payments to be paid		363
Less future interest		(25)
Operating lease liabilities	$	338

Note 18: Retirement Plan

The University provides a retirement annuity program for employees who meet certain length-of-service requirements. The University contributes toward an annuity contract for each eligible employee equal to the employee's contribution, plus 2%, up to a maximum of 7%. The University's expense related to this plan was $1,462 and $1,369 in 2024 and 2023, respectively.

Note 19: Postretirement Health Plans

Original Postretirement Health Plan

The University sponsors a nonqualified defined benefit postretirement healthcare plan covering all employees who meet the eligibility requirements. The University's funding policy is to contribute 50% of the premiums charged to the University with the remaining 50% being contributed by the plan participants. The University expects to contribute $310 to the plan in 2025.

The University used a May 31 measurement date for the plan as of and for the years ended May 31, 2024 and 2023. Information about the plan's funded status follows:

	2024		2023	
Accumulated benefit obligation	$	(2,658)	$	(2,966)
Fair value of plan assets		-		-
Funded status	$	(2,658)	$	(2,966)

(Dollars in Thousands)

Amounts recognized in the consolidated statements of financial position:

	2024	2023
Postretirement health plan liabilities	$ (2,658)	$ (2,966)

Amounts recognized in net assets without donor restrictions not yet recognized as components of net period benefit cost consist of:

	2024	2023
Net loss	$ 47	$ 220
Prior service cost (credit)	-	-
	$ 47	$ 220

The projected benefit obligation approximates the accumulated benefit obligation as of May 31, 2024 and 2023.

	2024	2023
Other significant balances and costs are		
Net periodic postretirement benefit costs	$ 138	$ 129
Other changes in benefit obligations recognized	$ (173)	$ (51)
Employer contributions	$ 136	$ 139
Plan participants' contributions	$ 136	$ 139
Benefits paid	$ 272	$ 279

The following amounts have been recognized in the consolidated statements of activities:

	2024	2023
Amounts arising during the period		
Net (gain) loss	$ (173)	$ (57)
Net prior service cost (credit)	$ -	$ -
Amounts reclassified as components of net periodic benefit cost of the period		
Net (gain) loss	$ -	$ -
Net prior service cost (credit)	$ -	$ (6)

(Dollars in Thousands)

Significant assumptions include:

	2024	2023
Weighted-average assumptions used to determine benefit obligations		
Discount rate	5.60%	4.90%
Weighted-average assumptions used to determine benefit costs		
Discount rate	4.90%	4.50%

The estimated net loss and prior service credit for the original postretirement health plan that will be amortized from net assets without donor restrictions into net periodic benefit costs over the next fiscal year are $0.

For measurement purposes, an approximate 6.9% and 5.5% annual rate of increase in the per capita cost of covered healthcare benefits was assumed for 2024 and 2023, respectively. The rate is projected to gradually decrease to 3.7% over the following 30 years.

The following benefit payments, which reflect expected future service, as appropriate, are expected to be paid as of May 31, 2024:

2025	$ 310
2026	$ 304
2027	$ 298
2028	$ 286
2029	$ 272
2030–2034	$ 1,127

2006 Postretirement Health Plan

Beginning in October 2006, the University implemented a nonqualified postretirement defined contribution health savings plan to assist employees transitioning from the modifications made in 2005 to the original postretirement healthcare plan defined above. This grantor's trust plan was established with a one-time pre-tax contribution by the University of $3,334 in 2007 to accounts representing current employees achieving age and length-of-service requirements who also became ineligible for the full benefits offered under the defined benefit plan. Assets in this plan are set aside by the University and subject to its creditors' claims until such time as the employee retires, within the criteria established by the plan; thus, the plan is considered unfunded for accounting purposes.

(Dollars in Thousands)

The University uses a May 31 measurement date for this plan. Information about the plan's funded status follows:

	2024	2023
Accumulated benefit obligation	$ 3,355	$ 3,531
Fair value of plan assets	-	-
Funded status	$ 3,355	$ 3,531

Amounts recognized in the consolidated statements of financial position:

	2024	2023
Postretirement health plan liabilities	$ (3,821)	$ (3,726)

The projected benefit obligation approximates the accumulated benefit obligation as of May 31, 2024 and 2023.

	2024	2023
Other significant balances and costs		
Net periodic postretirement benefit costs	$ 143	$ 166
Other changes in benefit obligations recognized	$ (33)	$ (247)
Employer contributions	$ 144	$ 148
Plan participants' contributions	$ 144	$ 148
Benefits paid	$ 287	$ 296

The following amounts are computed in accordance with ASC Topic 715 for 2024 and 2023:

	2024	2023
Amounts arising during the period		
Net (gain) loss	$ (33)	$ (247)
Net prior service cost (credit)	$ -	$ -
Amounts reclassified as components of net periodic benefit cost of the period		
Net (gain) loss	$ -	$ -
Net prior service cost (credit)	$ -	$ -
Weighted-average assumptions used to determine benefit obligations		
Discount rate	5.60%	4.90%
Weighted-average assumptions used to determine benefit costs		
Discount rate	4.90%	4.50%

(Dollars in Thousands)

For measurement purposes, the values were computed by means of an actuarial model and various assumptions. Upon retirement, vested participants will be able to draw upon their individual account balances to pay for medical related expenses, such as Medicare supplement premiums. Upon death of an active participant, the remaining balance would be available for the participant's spouse for medical related expenses. If a participant was to terminate employment or die prior to becoming vested, the liability under this plan to the participant and spouse would cease. Key assumptions used to compute the actuarial liability include rates of retirement, marriage, age differences, mortality and termination rates for active employees.

The following benefit payments, which reflect expected future service, as appropriate, are expected to be paid as of May 31, 2024:

2025	$	364
2026	$	395
2027	$	450
2028	$	484
2029	$	463
2030–2034	$	1,708

Other Healthcare Benefit Plan

In addition, in 2007, the University also created a VEBA trust plan to provide annual pre-tax funding for employees over 40 years of age no longer eligible to participate in the defined benefit plan. Assets in this program are not accessible by the University or its creditors. The contributions for the years ended May 31, 2024 and 2023, were $44 and $314, respectively. Effective August 1, 2023, the University suspended employer contributions.

Note 20: Disclosures About Fair Value of Assets and Liabilities

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value measurements must maximize the use of observable inputs and minimize the use of unobservable inputs. There is a hierarchy of three levels of inputs that may be used to measure fair value:

Level 1 Quoted prices in active markets for identical assets or liabilities

Level 2 Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities, quoted prices in markets that are not active or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities

Level 3 Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities

(Dollars in Thousands)

Recurring Measurements

The following tables present the fair value measurements of assets (liabilities) recognized in the accompanying consolidated statements of financial position measured at fair value on a recurring basis and the level within the fair value hierarchy in which the fair value measurements fall at May 31, 2024 and 2023:

	2024				
		Fair Value Measurements Using			
	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Investments Measured at NAV (A)
Investments					
Short-term investments and cash equivalents	$ 9,648	$ 9,648	$ -	$ -	$ -
U.S. Government securities	116	-	116	-	-
Corporate bonds	633	-	633	-	-
Common and preferred stocks	13,922	13,922	-	-	-
Exchange traded funds	6,741	6,741	-	-	-
Mutual funds					
Broad domestic fixed	17,331	17,331	-	-	-
Large cap funds	28,267	28,267	-	-	-
Mid cap funds	5,544	5,544	-	-	-
Small cap funds	4,772	4,772	-	-	-
International equity funds	20,681	20,681	-	-	-
Blended	4,593	4,593	-	-	-
Municipal bonds	25	-	25	-	-
Funds of funds	14,274	-	-	-	14,274
Limited partnerships	1,005	-	-	-	1,005
	$ 127,552	$ 111,499	$ 774	$ -	$ 15,279
Beneficial interests in trusts	$ 52,385	$ -	$ 36,826	$ 15,559	$ -
Foreign exchange contracts	$ (10)	$ -	$ (10)	$ -	$ -

(A) Certain investments that are measured at fair value using the NAV per share (or its equivalent) practical expedient have not been classified in the fair value hierarchy. The fair value amounts included above are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the consolidated statements of financial position.

University of Evansville

Notes to Consolidated Financial Statements
May 31, 2024 and 2023
(Dollars in Thousands)

	2023				
		Fair Value Measurements Using			
	Total	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Investments Measured at NAV (A)
Investments					
Short-term investments and cash equivalents	$ 5,188	$ 5,188	$ -	$ -	$ -
U.S. Government securities	116	-	116	-	-
Corporate bonds	969	-	969	-	-
Common and preferred stocks	11,736	11,736	-	-	-
Exchange traded funds	8,841	8,841	-	-	-
Mutual funds					
Broad domestic fixed	17,715	17,715	-	-	-
Large cap funds	22,542	22,542	-	-	-
Mid cap funds	4,755	4,755	-	-	-
Small cap funds	4,034	4,034	-	-	-
International equity funds	19,094	19,094	-	-	-
Emerging markets	-	-	-	-	-
Blended	4,422	4,422	-	-	-
Municipal bonds	35	-	35	-	-
Funds of funds	12,744	-	-	-	12,744
Limited partnerships	1,189	-	-	-	1,189
	$ 113,380	$ 98,327	$ 1,120	$ -	$ 13,933
Beneficial interests in trusts	$ 48,708	$ -	$ 34,552	$ 14,156	$ -
Foreign exchange contracts	$ 186	$ -	$ 186	$ -	$ -

(A) Certain investments that are measured at fair value using the NAV per share (or its equivalent) practical expedient have not been classified in the fair value hierarchy. The fair value amounts included above are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the consolidated statements of financial position.

(Dollars in Thousands)

Following is a description of the valuation methodologies and inputs used for assets and liabilities measured at fair value on a recurring basis and recognized in the accompanying consolidated statements of financial position, as well as the general classification of such assets and liabilities pursuant to the valuation hierarchy. There have been no significant changes in the valuation techniques during the year ended May 31, 2024.

Investments

Where quoted market prices are available in an active market, securities are classified within Level 1 of the valuation hierarchy. If quoted market prices are not available, then fair values are estimated by using quoted prices of securities with similar characteristics or independent asset pricing services and pricing models, the inputs of which are market-based or independently sourced market parameters, including, but not limited to, yield curves, interest rates, volatilities, prepayments, defaults, cumulative loss projections and cash flows. Such securities are classified in Level 2 of the valuation hierarchy. In certain cases where Level 1 or Level 2 inputs are not available, securities are classified within Level 3 of the hierarchy.

Beneficial Interests in Trusts

Fair value is estimated at the present value of the future distributions expected to be received over the term of the agreement. Due to the nature of the valuation inputs, the interests are classified within Level 2 of the hierarchy for nonperpetual trusts and Level 3 of the hierarchy for perpetual trusts.

The following is a reconciliation of the beginning and ending balances of the beneficial interests in trusts categorized within Level 3 assets:

	2024	2023
Balance, beginning of year	$ 14,156	$ 15,379
Change in beneficial interest in trusts	1,403	(1,223)
Balance, end of year	$ 15,559	$ 14,156

With regard to unobservable Level 3 inputs, the fair values of trust assets were used as the valuation technique in determining fair values, and the estimated future cash flows were unobservable inputs.

Foreign Exchange Contracts

Fair value is estimated using exchange rates that are observable or that can be corroborated by observable market data and, therefore, are classified within Level 2 of the valuation hierarchy.

Note 21: Related-Party Transactions

The University analyzes its relationships with related parties through its conflict-of-interest policy. Members of management and board members disclose those vendors or businesses in which they have involvement and significant relationships are disclosed on the annual Form 990.

Pledges receivable from related parties were $1,304 and $1,139 as of May 31, 2024 and 2023, respectively.

Note 22: Significant Estimates and Concentrations

Accounting principles generally accepted in the United States of America require disclosure of certain significant estimates and current vulnerabilities due to certain concentrations. Those matters include the following:

Postretirement Health Liabilities and Annuities Payable

The University has recorded certain liabilities as more fully described in Notes 13 and 19. Certain assumptions and estimates made by the University in calculating these liabilities may be different in the future.

General Litigation

The University is subject to claims and lawsuits that arise primarily in the ordinary course of its activities. It is the opinion of management that the disposition or ultimate resolution of such claims and lawsuits will not have a material adverse effect on the financial position, change in net assets and cash flows of the University.

Pooled Investment Funds and Alternative Investments

The University has invested in pooled investment funds, funds of funds and limited partnerships generally consisting of investments in private equity funds. These fair values have been estimated by management in the absence of readily determinable fair values. Management's estimates are based on the latest information provided by the fund manager or the general partners. Ongoing review and assessment is made by the University's management to incorporate other transactions, activity and factors to estimate fair value at the financial statement date due to the latest information provided by the fund management or the general partners not always being as of the University's financial statement date. Fair value estimation for these investments is inherently subjective as it requires estimates that are susceptible to significant revision as more information becomes available.

Investments

The University invests in various investment securities. Investment securities are exposed to various risks, such as interest rate, market and credit risks. Due to the level of risk 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 that such change could materially affect the amounts reported in the accompanying consolidated statements of financial position.

Note 23: Commitments

Capital Commitments

The University has allocated a portion of its pooled investments with fund managers requiring future capital contributions. At May 31, 2024, outstanding capital commitments totaled $242.

Construction

The University entered into a development agreement with a third party for the construction of student housing and related facilities planning and other related services for a project estimated at approximately $18,091, including capitalized interest. As of May 31, 2024, approximately $1,176 remains to be spent on the project.

The University also entered into contracts for the development of intramural field and other outdoor recreation projects for approximately $1,401 with approximately $1,179 remaining to be spent as of May 31, 2024.

(Dollars in Thousands)

Note 24: U.S. Department of Education Financial Responsibility Ratio Information

The following information is required by the U.S. Department of Education for the year ended May 31, 2024:

Annuities with donor restrictions	$ 332
Term endowments with donor restrictions	796
Life income funds with donor restrictions	1,905
Total annuities, term endowments and life income funds with donor restrictions	3,033
Beneficial interest in trust-time restricted, undefined purpose restriction*	35,990
Annuities, term endowments and life income funds with donor restrictions are included within the following line items in Note 14	
Subject to expenditure for a specific purpose	
Student aid	796
Life income and annuity funds	1,101
Investment in perpetuity, the income of which is expendable to support	
Life income and annuity funds	1,136
Total annuities, term endowments and life income funds with donor restrictions	3,033
Unsecured related-party receivables	1,304
Secured related-party receivables	-
Total related-party receivables	1,304
Property, plant and equipment, net of accumulated depreciation – pre-implementation	127,816
Property, plant and equipment, net of accumulated depreciation – post-implementation with outstanding debt for original purchase	23,109
Property, plant and equipment, net of accumulated depreciation – post-implementation without outstanding debt for original purchase	8,166
Construction in progress – post-implementation with outstanding debt for original purchase	16,914
Construction in progress – post-implementation without outstanding debt for original purchase	1,676
Right-of-use lease asset – finance leases, net of accumulated amortization – pre-implementation	-
Right-of-use lease asset – finance leases, net of accumulated amortization – post-implementation	773
Total property, plant and equipment, net	$ 178,454

*Beneficial interest in trust, whereby the trustee may distribute annually from both principal and interest at the trustee's discretion as further described in Note 16. Upon distribution, there are no purpose restrictions on use.

Note 25: Subsequent Events

Subsequent events have been evaluated through November 4, 2024, which is the date the consolidated financial statements were issued.