

Wilkes University

Financial Statements

May 31, 2024 and 2023

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Independent Auditors' Report

To the Board of Trustees of
Wilkes University

Opinion

We have audited the financial statements of Wilkes University (the University), which comprise the statements of financial position as of May 31, 2024 and 2023, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the 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 (GAAP).

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with GAAP, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the 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 within one year after the date that the financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the 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 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 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 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.

Baker Tilly US, LLP

Pittston, Pennsylvania
October 18, 2024

Wilkes UniversityStatements of Financial Position
May 31, 2024 and 2023

	2024	2023
Assets		
Cash and cash equivalents	\$ 20,037,620	\$ 21,625,234
Short-term investments	9,612,541	12,805,105
Student accounts receivable, net	10,212,749	8,406,657
Contributions receivable, net	625,371	1,263,041
Student loans receivable, net	1,350,886	1,691,169
Grants and contracts receivable	748,999	913,359
Prepaid expenses and other assets	2,424,184	3,275,226
Long-term investments	67,962,320	60,821,811
Cash equivalents restricted for debt service	1,709,471	1,625,507
Cash and cash equivalents designated for institutional debt reserve	3,000,000	5,000,000
Funds held in trust for others	4,833,691	4,313,426
Beneficial interest in perpetual trusts	7,636,296	6,958,866
Right of use assets	3,023,339	3,520,369
Assets held for sale	-	1,285,816
Property, plant and equipment, net	117,775,743	114,641,006
Total assets	<u>\$ 250,953,210</u>	<u>\$ 248,146,592</u>
Liabilities and Net Assets		
Liabilities		
Accounts payable and accrued expenses	\$ 3,478,878	\$ 4,188,179
Accrued payroll and related costs	6,986,178	7,189,005
Deferred revenue and other liabilities	15,362,012	14,849,670
Advances from federal government	1,104,789	1,355,494
Bonds and note payable, net	66,000,633	68,113,549
Operating lease obligations	3,270,709	3,763,084
Funds held in trust for others	4,833,691	4,313,426
Total liabilities	<u>101,036,890</u>	<u>103,772,407</u>
Net Assets		
Without donor restrictions	87,646,786	87,900,208
With donor restrictions	62,269,534	56,473,977
Total net assets	<u>149,916,320</u>	<u>144,374,185</u>
Total liabilities and net assets	<u>\$ 250,953,210</u>	<u>\$ 248,146,592</u>

See notes to financial statements

Wilkes University

Statements of Activities

Year Ended May 31, 2024, With Summarized Information for the Year Ended May 31, 2023

	Without Donor Restrictions	With Donor Restrictions	2024 Total	2023 Total
Revenues and Other Additions				
Net tuition and fees	\$ 81,053,012	\$ -	\$ 81,053,012	\$ 79,313,205
Government grants and contracts	3,768,638	-	3,768,638	4,843,199
Private gifts	562,237	998,494	1,560,731	1,459,740
Private grants and contracts	499,190	18,000	517,190	280,686
Contributions of nonfinancial assets	42,000	91,532	133,532	70,830
Sales and services of auxiliary enterprises	13,365,962	-	13,365,962	14,011,140
Other revenue	887,809	11,955	899,764	1,248,979
Income from interest and dividends	2,613,644	10,193	2,623,837	1,346,202
Endowment income designated for current operations	715,640	1,879,130	2,594,770	2,429,849
Net assets transferred (designated) for institutional debt reserve	2,000,000	-	2,000,000	(1,000,000)
Net assets released from restrictions	3,811,156	(3,811,156)	-	-
Total revenues and other additions	109,319,288	(801,852)	108,517,436	104,003,830
Expenses				
Instruction	47,937,722	-	47,937,722	44,874,765
Research	1,571,970	-	1,571,970	1,569,071
Public service	3,012,915	-	3,012,915	2,999,914
Academic support	8,967,794	-	8,967,794	8,669,634
Student services	18,372,167	-	18,372,167	17,062,669
Institutional support	17,669,955	-	17,669,955	16,687,726
Auxiliary enterprises	11,725,752	-	11,725,752	11,814,314
Total expenses	109,258,275	-	109,258,275	103,678,093
Increase (decrease) in net assets from operating activities	61,013	(801,852)	(740,839)	325,737
Nonoperating Activities				
Capital grants	469,749	-	469,749	1,931,514
Capital gifts	-	168,857	168,857	177,817
Endowment gifts	-	1,600,357	1,600,357	607,532
Net investment return (loss)	1,858,184	6,229,856	8,088,040	(696,346)
Less endowment income designated for current operations	(715,640)	(1,879,130)	(2,594,770)	(2,429,849)
Net assets (transferred) designated for institutional debt reserve	(2,000,000)	-	(2,000,000)	1,000,000
Change in value of perpetual trusts and split-interest agreements	(7,020)	768,317	761,297	(447,167)
Other nonoperating loss	-	-	-	(146,841)
Adjustment for property	-	-	-	(2,953,434)
Net (loss) gain on sale of assets	(210,556)	-	(210,556)	1,980,596
Net assets released from restriction for property, plant and equipment	290,848	(290,848)	-	-
(Decrease) increase in net assets from nonoperating activities	(314,435)	6,597,409	6,282,974	(976,178)
Change in net assets	(253,422)	5,795,557	5,542,135	(650,441)
Net Assets, Beginning	87,900,208	56,473,977	144,374,185	145,024,626
Net Assets, Ending	<u>\$ 87,646,786</u>	<u>\$ 62,269,534</u>	<u>\$ 149,916,320</u>	<u>\$ 144,374,185</u>

See notes to financial statements

Wilkes University

Statement of Activities
Year Ended May 31, 2023

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues and Other Additions			
Net tuition and fees	\$ 79,313,205	\$ -	\$ 79,313,205
Government grants and contracts	4,843,199	-	4,843,199
Private gifts	420,725	1,039,015	1,459,740
Private grants and contracts	262,686	18,000	280,686
Contributions of nonfinancial assets	32,500	38,330	70,830
Sales and services of auxiliary enterprises	14,011,140	-	14,011,140
Other revenue	1,236,342	12,637	1,248,979
Income from interest and dividends	1,338,177	8,025	1,346,202
Endowment income designated for current operations	756,695	1,673,154	2,429,849
Net assets designated for institutional debt reserve	(1,000,000)	-	(1,000,000)
Net assets released from restrictions	3,423,559	(3,423,559)	-
Total revenues and other additions	104,638,228	(634,398)	104,003,830
Expenses			
Instruction	44,874,765	-	44,874,765
Research	1,569,071	-	1,569,071
Public service	2,999,914	-	2,999,914
Academic support	8,669,634	-	8,669,634
Student services	17,062,669	-	17,062,669
Institutional support	16,687,726	-	16,687,726
Auxiliary enterprises	11,814,314	-	11,814,314
Total expenses	103,678,093	-	103,678,093
Increase (decrease) in net assets from operating activities	960,135	(634,398)	325,737
Nonoperating Activities			
Capital grants	1,931,514	-	1,931,514
Capital gifts	-	177,817	177,817
Endowment gifts	-	607,532	607,532
Net investment loss	(390,992)	(305,354)	(696,346)
Less endowment income designated for current operations	(756,695)	(1,673,154)	(2,429,849)
Net assets designated for institutional debt reserve	1,000,000	-	1,000,000
Change in value of perpetual trusts and split-interest agreements	(144)	(447,023)	(447,167)
Other nonoperating loss	(146,841)	-	(146,841)
Adjustment for property	(2,953,434)	-	(2,953,434)
Net gain on sale of assets	1,980,596	-	1,980,596
Net assets released from restriction for property, plant and equipment	456,752	(456,752)	-
Increase (decrease) in net assets from nonoperating activities	1,120,756	(2,096,934)	(976,178)
Change in net assets	2,080,891	(2,731,332)	(650,441)
Net Assets, Beginning	85,819,317	59,205,309	145,024,626
Net Assets, Ending	\$ 87,900,208	\$ 56,473,977	\$ 144,374,185

See notes to financial statements

Wilkes University

Statements of Cash Flows

Years Ended May 31, 2024 and 2023

	2024	2023
Cash Flows From Operating Activities		
Change in net assets	\$ 5,542,135	\$ (650,441)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	5,101,330	4,901,061
Provision for bad debts	460,233	632,659
Net realized and unrealized (gains) losses on investments	(6,980,293)	1,664,698
Donated property, plant and equipment	(27,000)	(32,500)
Net loss (gain) on sale of assets	210,556	(1,980,596)
Adjustment for property	-	2,953,434
Other nonoperating loss	-	146,841
Amortization of bond issuance costs and bond discounts	83,948	86,083
Accretion of bond premium	(401,864)	(416,097)
Contributions for long-term investment	(2,510,044)	(785,349)
Capital grants	(469,749)	(1,931,514)
Change in value of beneficial interest in perpetual trusts	(677,430)	496,203
Noncash lease expense	4,655	20,187
Changes in assets and liabilities:		
Student accounts receivable	(2,063,168)	2,041,684
Contributions receivable	175,226	(644,767)
Grants and contracts receivable	84,615	(136,469)
Prepaid expenses and other assets	850,296	34,707
Accounts payable and accrued expenses	(190,672)	(120,858)
Accrued payroll and related costs	(202,827)	(508,712)
Deferred revenue and other liabilities	512,342	(691,450)
Net cash (used in) provided by operating activities	(497,711)	5,078,804
Cash Flows From Investing Activities		
Purchases of long-term investments	(27,681,393)	(29,494,262)
Proceeds from sales and maturities of long-term investments	27,401,734	29,497,578
Purchases of property, plant and equipment	(8,715,134)	(10,616,919)
Proceeds from sales and maturities of short-term investments	8,529,639	7,254,485
Purchases of short-term investments	(5,216,886)	(3,730,983)
Proceeds from the sale of assets	1,062,698	2,485,169
Student loans collected	234,268	273,423
Student loans advanced	(97,142)	(189,080)
Net cash used in investing activities	(4,482,216)	(4,520,589)
Cash Flows From Financing Activities		
Principal payments on bonds and note payable	(1,795,000)	(1,690,000)
Contributions received for long-term investment	2,231,658	1,839,578
Capital grants received	1,290,324	2,567,423
Change in advances from federal government	(250,705)	(336,595)
Principal payments on finance lease obligations	-	(3,085,787)
Net cash provided by (used in) financing activities	1,476,277	(705,381)
Decrease in cash and cash equivalents and restricted cash equivalents	(3,503,650)	(147,166)
Cash and Cash Equivalents and Restricted Cash Equivalents, Beginning	28,250,741	28,397,907
Cash and Cash Equivalents and Restricted Cash Equivalents, Ending	<u>\$ 24,747,091</u>	<u>\$ 28,250,741</u>
Cash and Cash Equivalents Consist of		
Cash and cash equivalents	\$ 20,037,620	\$ 21,625,234
Cash allocated for institutional debt reserve	3,000,000	5,000,000
Cash equivalents restricted for debt service	1,709,471	1,625,507
Total cash and cash equivalents and restricted cash and cash equivalents	<u>\$ 24,747,091</u>	<u>\$ 28,250,741</u>

See notes to financial statements

1. Nature of Operations and Summary of Significant Accounting Policies

Nature of Operations

Wilkes University (the University) is an independent, nondenominational university that offers undergraduate, graduate and doctoral degree programs. The University was founded in 1933 as a two-year campus for Bucknell University. In 1947, the institution became Wilkes College and, in 1990, it was designated Wilkes University. Through its commitment to individualized attention, innovative teaching and scholarship, as well as mentoring in an inclusive environment, the University empowers students with a transformational education for their success. The campus is located in Wilkes-Barre, Pennsylvania.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America (GAAP) 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 financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

A material estimate that is particularly susceptible to change relates to the valuation of investments. The University maintains a portfolio of diversified investments, managed by investment advisors, with a financial objective to provide ongoing financial support to the University while preserving the purchasing power of the investments over the long term. The fair values reported in the statements of financial position are exposed to various risks, including changes in the equity markets, the interest rate environment and general economic conditions. Due to the level of risk associated with certain investments and the level of uncertainty related to changes in the fair value of investments, it is reasonably possible that the amounts reported in the accompanying financial statements could change materially in the near term.

Net Assets

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

Net Assets Without Donor Restrictions - Net assets that are currently available at the direction of the Board of Trustees for use in operations, invested in property and equipment or as endowments.

Net Assets With Donor Restrictions - Net assets that are stipulated by donors for specific operating purposes, for the acquisition of property and equipment, time-restricted or for holding in perpetuity with investment return used for operations and scholarships.

Statements of Cash Flows/Cash and Cash Equivalents

Cash equivalents consist of money market mutual funds or certificates of deposit with original maturities of 90 days or less, except cash equivalents included in the University's long-term investment portfolio.

The University maintains cash balances in federally insured institutions in excess of federal insurance limits.

Supplemental cash flow information and noncash investing and financing activities include: \$465,751 and \$984,380 of property, plant and equipment additions financed through accounts payable at May 31, 2024 and 2023, respectively.

Cash paid for interest was \$3,048,356 in 2024 and \$3,206,151 in 2023.

Student Accounts and Contributions Receivable

Student accounts and contributions receivable are reported at net realizable value. Accounts are written off when they are determined to be uncollectible based upon management's assessment of individual accounts. The allowance for contributions receivable is estimated based on the University's historical experience and periodic review of individual accounts.

The University recognizes an allowance for credit losses for its student accounts receivable arising from reciprocal transactions to present the net amount expected to be collected as of the statement of financial position date. Such allowance is based on the credit losses expected to arise over the life of the student receivable which includes consideration of past events and historical loss experience, current events and also future events.

The University utilizes the loss rate method in determining its lifetime expected credit losses on student accounts receivable. In determining its loss rates, the University evaluates information related to its historical losses, adjusted for current conditions and further adjusted for the period of time that can be reasonably forecasted, as applicable. Qualitative and quantitative adjustments related to current conditions and the reasonable and supportable forecast period consider all the following: past due receivables, creditworthiness, and the effect of other external forces, such as economic conditions and legal and regulatory requirements, on the level of estimated credit losses in the existing receivables.

Contributions

All contributions are considered to be available for general use unless specifically restricted by the donor. Amounts received that are designated for future periods or restricted by the donor for specific purposes are reported as changes in net assets with donor restrictions. When a donor restriction expires, net assets are reclassified as net assets without donor restrictions. Contributions specified for the acquisition or construction of long-lived assets are released to net assets without donor restrictions from net assets with donor restrictions when the assets are placed in service.

Unconditional promises to give are recorded at the present value of estimated future cash flows. Contributions of assets other than cash are recorded at their estimated fair value. Conditional contributions or promises are recorded when donor-imposed conditions have been substantially met.

The University recognized contributed nonfinancial assets within revenue, including contributed equipment and services. Contributed nonfinancial assets are evaluated as they are received, in determining whether the University will utilize or monetize. Contributed nonfinancial assets are appropriately classified as with or without donor restrictions in the financial statements.

Contributions of nonfinancial assets in 2024 and 2023 include contributed services and equipment. Contributed services are valued based on current rates for similar services. Contributed equipment is valued based on information available for similar equipment.

Student Loans Receivable

Student loans are made with funds advanced to the University by the federal government under the Perkins and Nursing Student Loan Programs (the Programs). In the event that the University ceases to participate in the Programs, the amounts are refundable to the federal government. The potential refundable portion of the Programs are reported as advances from federal government on the statements of financial position.

The Perkins loan program expired on September 30, 2017; after June 30, 2018, no new loans are permitted. Institutions are permitted to liquidate all Perkins loans or continue to service all or some of their outstanding Perkins loans. The University is continuing to service its Perkins loans while performing an ongoing assessment of the loan portfolio. The University assigned \$63,178 in 2024 and \$381,529 in 2023 of Perkins loans back to the United States Department of Education (ED).

The prescribed practices for the loan programs do not provide for accrual of interest on student loans receivable. Accordingly, interest on loans is recorded as received; the impact of recording interest income on a cash basis is considered insignificant.

Student loans receivable are reported net of an allowance of \$527,487 in 2024 and \$399,511 in 2023.

Short-Term Investments

Short-term investments are reported at fair value and are available for use in current operations.

Long-Term Investments

Long-term investments are reported at fair value. Adjustments to reflect increases or decreases in fair value, referred to as unrealized gains and losses, are reported in the statements of activities.

Gains and losses on the sale of investments are determined using the specific identification method. Realized gains and losses arising from the sale of investments and ordinary income from investments are reported as changes in net assets without donor restrictions unless their use is restricted by explicit donor-imposed stipulations or law.

Income and net gains (losses) on investment of endowment funds are reported in the statements of activities as follows:

- As increases (decreases) in net assets without donor restrictions for Board-designated endowment funds;
- As increases (decreases) in net assets with donor restrictions in all other cases.

Cash Equivalents Restricted for Debt Service

Cash equivalents restricted for debt service consist of money market funds held by the trustee for the University's bond issues and are carried at fair value. Such funds are restricted for the payment of the University's debt service.

Split-Interest Arrangements

The University's split-interest agreements are annuity arrangements whereby the University has a remainder interest in the trusts. Beneficiaries designated by the donor receive distributions from the trusts over their lives. Assets are invested and distributions are made to beneficiaries and the University in accordance with the respective agreements. Liabilities under the split-interest agreements represent the present value of the estimated future distributions to beneficiaries over the terms of the agreements. Gains and losses associated with changes in the estimates of future distributions to beneficiaries are included in the statements of activities. Payments to beneficiaries totaled \$23,524 in 2024 and \$27,994 in 2023. Assets held under split-interest arrangements totaled \$758,301 in 2024 and \$704,455 in 2023 and are included in long-term investments. The related liability was \$97,313 in 2024 and \$204,705 in 2023 and is included in deferred revenue and other liabilities on the statements of financial position.

Funds Held in Trust for Others

The University serves as trustee for a trust fund which is controlled by a board of managers independent of the University. Although the University is the current beneficiary of the trust, funds must be appropriated by the board of managers before they can be used by the University. The board of managers can, at its sole discretion, change both the trustee and the beneficiary of the trust at any time. Therefore, the University has recorded the principal, accumulated gains and undistributed income of the trust as both an asset and related liability on the statements of financial position.

Beneficial Interest in Perpetual Trusts

The University is the beneficiary of certain perpetual trusts held and administered by others. The University's percentage of the earnings of the underlying trust assets applied to the fair value of the underlying assets are recognized as assets and contribution revenue at the dates the trusts are established. Distributions from the trusts are recorded as investment income and the carrying value of the assets is adjusted for changes in the fair value.

Property, Plant and Equipment and Assets Held for Sale

Property, plant and equipment are stated at cost, less accumulated depreciation. Depreciation is provided on a straight-line basis over the following estimated useful lives of the assets.

	<u>Years</u>
Land improvements	20
Buildings and building improvements	50
Furniture, fixtures and equipment	5 - 20
Vehicles	5
Leasehold improvements	15

Construction in progress is recorded at cost and is not depreciated until the asset is placed in service. Contributed property, plant and equipment is recorded at fair value at the date of donation. If donors stipulate how long the assets must be used, the contributions are recorded as restricted support. In the absence of such stipulations, contributions of property and equipment are recorded as unrestricted support.

Long-lived assets are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to undiscounted cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the estimated future cash flows of the assets. The University had no impairment charges in 2024 or 2023.

Assets held for sale are recorded lower of cost or fair value except for donated assets, which are recorded at the fair value on the date of donation. Assets held for sale are not depreciated.

Self-Insurance

The University participates in a health insurance consortium (Shared Service Consortium) and a health plan trust agreement (Shared Services Health Plan Trust). The consortium agreement is a self-funded insurance plan to cover medical claims for the employees of the participants in the consortium. Under the terms of the agreement, a trust account was established to administer the cash receipts, stop/loss premium and medical claim payments. The University accrues the estimated costs of incurred and reported and unreported claims, after consideration of its stop-loss insurance coverage, based upon data provided by the third-party administrator of the program and its historical claims experience. The University has accrued approximately \$0 and \$400,000 at May 31, 2024 and 2023, respectively, for these costs, which is included in accrued payroll and related costs in the statements of financial position. At May 31, 2024, payments made to the trust throughout the year net of all claims paid from the trust exceed the amount of the estimated liability. The University has recorded approximately \$1,124,000 in 2024 and \$2,041,000 in 2023 as a medical claim reserve account which is included in prepaid expenses and other assets to fund future payment of premiums.

Deferred Bond Issuance Costs/Bond Premiums

Costs incurred with the issuance of bonds and bond premiums have been deferred and are being amortized on the straight-line method, which approximates the interest method, over the term of the bonds and are included in bonds and note payable on the statements of financial position.

Measure of Operations

The University's operating activities include all revenues and expenses that are an integral part of its programs and supporting activities, interest and dividends (net of fees) on investments with the exception of donor-restricted endowments, transfers from endowments to support current operating activities, transfers designated for the institutional debt reserve and net assets released from donor restrictions to support operating expenditures.

The University's nonoperating activities include realized and unrealized gains and losses on investments, including endowment gains and losses in excess of the University's endowment spending policy, interest and dividends on donor-restricted endowments, changes in the value of split-interest agreements and beneficial interest in perpetual trusts, gifts for naming opportunities and other gifts and grants for capital assets and construction, gifts restricted in perpetuity, transfers for the institutional debt reserve and unusual and/or nonrecurring transactions which are unrelated to the University's normal business activities.

Revenue Recognition

Tuition and fee revenue is recognized in the fiscal year in which the academic programs are delivered. Sales and services of auxiliary enterprises revenue, which consists of room and board and related services, is recognized when the related service is provided or performed. Tuition and fee and auxiliary enterprise contracts are considered to have a duration of less than one year.

Transaction prices for tuition, fees, room and board are determined based on applicable University pricing schedules which are approved by the Board of Trustees. Institutional financial aid and discounts provided by the University are reflected as a reduction of tuition and fee revenue with the exception of specifically identified auxiliary discounts such as room grants, which are reflected as a reduction in auxiliary revenue. The University awards grants-in-aid and scholarships to individuals who meet the University's academic standards. The amounts of such awards are based upon the financial needs and/or merit of each applicant. Institutional financial aid and discounts provided to students was approximately \$42,930,000 in 2024 and \$42,707,000 in 2023.

Amounts are due for tuition, fees, room and board at the beginning of each semester. In accordance with the University's refund policies, undergraduate students may receive a full or partial refund up to four weeks after the start of the semester; graduate students may receive a full or partial refund until the date the course section is 27% complete. Student accounts receivable includes amounts to which the University is unconditionally entitled. The University considers such amounts as unconditional based on the payment due date.

Student-related deferred revenue for billed services not yet performed totaled approximately \$11,789,000 at May 31, 2024 and consists primarily of amounts related to 2024 summer sessions. This amount will be recognized as revenue in 2025 as academic services are provided. As of May 31, 2023, billed services not yet performed totaled approximately \$10,777,000 and was recognized as revenue in 2024. As of May 31, 2022, billed services not yet performed totaled approximately \$12,485,000 and was recognized as revenue in 2023.

Private grants and contracts are generally deemed to be exchange (reciprocal) transactions. The performance obligation for each grant or contract is deemed to be the research itself and revenue is recognized as the eligible grant activities are conducted. Transaction prices are based on budgets in the award agreement. Private grants and contracts are generally one year or less in duration. Exchange contracts are not significant to the University's financial statements.

Government grants and contracts are deemed to be nonexchange (nonreciprocal) transactions and fall under the contribution accounting guidance. Under this guidance, revenue related to conditional grants and contracts is recorded when the conditions are met. Most grants and contracts are on a cost reimbursement basis and require the University incur eligible expenses prior to the release of funds. The University reports these grants and contracts as changes in net assets without donor restrictions when restrictions are met in the same period. Restricted private gifts are recorded as changes in net assets with donor restrictions. When a donor restriction expires, net assets are reclassified as net assets without donor restrictions.

Endowment Spending Policy

The University, pursuant to Pennsylvania law, allocates to income each year a portion of endowment return, inclusive of market gains and losses (realized and unrealized). The allocation percentage is elected annually by the Board of Trustees and is based on a rolling 12 quarter market value average of the endowment.

Fundraising Costs

Costs incurred by the University in obtaining donor contributions were approximately \$1,708,000 in 2024 and \$1,358,000 in 2023 and are included in institutional support on the statements of activities.

Leases

The University has a variety of operating leases for office/classroom space, copiers and other equipment. The obligations associated with these leases have been recognized as a liability and their corresponding right of use assets in the statements of financial position based on future lease payments, discounted by the incremental borrowing rate.

Lease terms may include options to extend or terminate certain leases. The value of a lease is reflected in the valuation if it is reasonably certain an option to extend or terminate will be exercised.

The University has certain leases that are for periods of 12 months or less. Leases with an initial term of 12 months or less are not recorded on the statements of financial position since the University has elected the practical expedient to exclude these leases from operating right of use asset and lease liabilities. Short-term lease expenses are recognized on a straight-line basis over the lease term as an operating expense.

Income Taxes

The University is incorporated in the Commonwealth of Pennsylvania as a not-for-profit organization. The University has received a determination from the Internal Revenue Service (IRS) that it is exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code.

Management evaluates income tax positions taken by the University and recognizes a tax liability (or asset) if the University has taken an uncertain tax position that more likely than not would not be sustained upon examination by the IRS. Management has analyzed the tax positions taken by the University, and has concluded that as of May 31, 2024, there are no uncertain positions taken or expected to be taken that would require recognition of a liability (or asset) or disclosure in the financial statements. The University is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress.

Accounting Standard Adopted

In June 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-13, *Measurement of Financial Instruments—Credit Losses (Topic 326)*. The ASU introduces a new credit loss methodology, Current Expected Credit Losses (CECL), which requires earlier recognition of credit losses, while also providing additional transparency about credit risk. For financial instruments included in the scope, the CECL methodology utilizes a lifetime "expected credit loss" measurement objective for the recognition of credit losses at the time the financial asset is originated or acquired. The expected credit losses are adjusted each period for changes in expected lifetime credit losses.

The methodology replaces the multiple existing impairment methods in current GAAP, which generally require that a loss be incurred before it is recognized. On June 1, 2023, the University adopted the ASU using the modified retrospective approach. The adoption of ASU 2016-13 had no impact on the financial statements for the year ended May 31, 2024.

Subsequent Events

Subsequent events have been evaluated for measurement and disclosure through October 18, 2024, the date the financial statements were issued.

2. Student Accounts Receivable

Student accounts receivable represent amounts due for tuition, fees and room and board from currently enrolled and former students. The University extends unsecured credit to students in connection with their studies. Student accounts receivable consists of the following at May 31:

	2024	2023
Accounts receivable	\$ 10,462,749	\$ 8,705,482
Allowance for credit losses	(250,000)	(298,825)
Total	<u>\$ 10,212,749</u>	<u>\$ 8,406,657</u>

Wilkes University

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3. Contributions Receivable

Contributions receivable are summarized as follows at May 31:

	2024	2023
Contributions receivable in:		
Less than one year	\$ 599,314	\$ 1,064,421
One to three years	61,000	465,397
Subtotal	660,314	1,529,818
Allowance for doubtful accounts	(29,747)	(261,366)
Unamortized present value discount (rates ranging from 0.41% to 4.79%)	(5,196)	(5,411)
Total	<u>\$ 625,371</u>	<u>\$ 1,263,041</u>

4. Investments

Long-term investments are summarized as follows at May 31:

	2024	2023
Mutual funds:		
Money market	\$ 752,182	\$ 841,390
Fixed income	22,075,295	19,821,635
Domestic equity	21,619,053	19,296,442
International equity	10,759,753	10,509,813
Other	5,535,349	4,663,969
Alternative investments:		
Hedged equity fund	1,945,615	2,062,782
Private equity funds	5,081,881	3,464,343
Other	193,192	161,437
Total	<u>\$ 67,962,320</u>	<u>\$ 60,821,811</u>

Investment return is reported in the statements of activities as follows:

	2024	2023
Operating:		
Income from interest and dividends	\$ 2,629,312	\$ 1,354,214
Investment fees	(5,475)	(8,012)
Total operating income	2,623,837	1,346,202
Nonoperating:		
Income from interest and dividends	1,270,519	1,157,209
Net realized and unrealized gains (losses)	6,980,293	(1,664,698)
Investment fees	(162,772)	(188,857)
Total nonoperating return (loss)	8,088,040	(696,346)
Total investment return	<u>\$ 10,711,877</u>	<u>\$ 649,856</u>

5. Fair Value Measurements

Fair value is defined as 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 is measured using a hierarchy prioritizing the inputs used in determining valuations into three levels. The level within the fair value hierarchy is based on the lowest level input that is significant to the fair value measurement. The levels of the fair value hierarchy are as follows:

Level 1 - Unadjusted quoted prices in active markets for identical assets or liabilities;

Level 2 - Quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in markets that are not active or inputs that are observable for the asset or liability, either directly or indirectly through market corroboration, for substantially the full term of the asset or liability;

Level 3 - Prices or valuation techniques that are unobservable in the market and require significant management judgment or estimation to measure fair value.

The following tables present the University's financial assets and liabilities measured at fair value on a recurring basis, by level within the fair value hierarchy. Long-term investments measured using the net asset value (NAV) per share practical expedient are not required to be categorized within the fair value hierarchy. However, they are included in the total column to reconcile to long-term investments as reported on the statements of financial position.

	May 31, 2024			
	Level 1	Level 2	Level 3	Total
Short-term investments:				
Money market	\$ 687,525	\$ -	\$ -	\$ 687,525
Certificate of deposit	1,513,190	-	-	1,513,190
Corporate bonds	-	2,294,207	-	2,294,207
U.S. government/municipal bonds	-	4,135,751	-	4,135,751
Other fixed income	-	981,868	-	981,868
Total short-term investments	<u>\$ 2,200,715</u>	<u>\$ 7,411,826</u>	<u>\$ -</u>	<u>9,612,541</u>
Long-term investments:				
Money market	\$ 752,182	\$ -	\$ -	752,182
Mutual funds:				
Fixed income	21,768,876	306,419	-	22,075,295
Domestic equity	21,619,053	-	-	21,619,053
International equity	10,759,753	-	-	10,759,753
Other	5,535,349	-	-	5,535,349
Total long-term investments	<u>\$ 60,435,213</u>	<u>\$ 306,419</u>	<u>\$ -</u>	<u>60,741,632</u>
Alternative investments measured at NAV:				
Hedged equity fund				1,945,615
Private equity funds				5,081,881
Other				193,192
				<u>\$ 67,962,320</u>
Funds held in trust for others	<u>\$ -</u>	<u>\$ 4,833,691</u>	<u>\$ -</u>	<u>\$ 4,833,691</u>
Beneficial interest in perpetual trusts	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 7,636,296</u>	<u>\$ 7,636,296</u>

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	May 31, 2023			
	Level 1	Level 2	Level 3	Total
Short-term investments:				
Money market	\$ 1,059,425	\$ -	\$ -	\$ 1,059,425
Certificate of deposit	1,515,513	-	-	1,515,513
Corporate bonds	-	2,138,740	-	2,138,740
U.S. government/municipal bonds	-	7,006,833	-	7,006,833
Other fixed income	-	1,084,594	-	1,084,594
Total short-term investments	\$ 2,574,938	\$ 10,230,167	\$ -	12,805,105
Long-term investments:				
Money market	\$ 841,390	\$ -	\$ -	841,390
Mutual funds:				
Fixed income	19,356,999	464,636	-	19,821,635
Domestic equity	19,296,442	-	-	19,296,442
International equity	10,509,813	-	-	10,509,813
Other	4,663,969	-	-	4,663,969
Total long-term investments	\$ 54,668,613	\$ 464,636	\$ -	55,133,249
Alternative investments measured at NAV:				
Hedged equity fund				2,062,782
Private equity funds				3,464,343
Other				161,437
				\$ 60,821,811
Funds held in trust for others	\$ -	\$ 4,313,426	\$ -	\$ 4,313,426
Beneficial interest in perpetual trusts	\$ -	\$ -	\$ 6,958,866	\$ 6,958,866

The following methods and assumptions were used to estimate the fair value for each class of financial instrument measured at fair value:

- Money market carrying amounts approximate fair value because of the short-term nature of those financial instruments.
- The certificate of deposit is measured using Level 1 inputs in which cost approximates fair value.
- Mutual funds are valued using quoted market prices in active markets for those securities.
- Corporate, U.S. government/municipal and other fixed income bonds are valued using matrix pricing which relies on the security's relationship to various benchmark quoted prices.
- The hedged equity fund is valued using NAV times the number of units held at year-end. The objective of this fund is to achieve a superior risk-adjusted return with low volatility and low correlation to both the equity and fixed income markets by investing in a diversified group of pooled investment vehicles. This fund contains certain liquidity provisions. Investors must hold this fund for a minimum of one year before any withdrawals are requested. Full liquidations are subject to a 10% hold-back to be received after the following fiscal year-end and redemptions after the initial one-year lock up are available quarterly with 60 days' notice. Also, investors may not redeem an amount that will force their remaining balance to fall below \$50,000 or 20% of the initial investment unless they are performing a full liquidation.

- Private equity investments are generally made through limited partnerships and have a 15-year term. Under the terms of such agreements, the University may be required to provide additional funding when capital or liquidity calls are made by fund managers. These partnerships have a limited existence, and they may provide for annual extensions for the purpose of disposing of portfolio positions and returning capital to investors. However, depending on market conditions, the inability to execute the fund's strategy, or other factors, a manager may extend or reduce the terms of a fund. The University cannot anticipate such changes because they generally arise from unforeseeable events, but should they occur, they could reduce liquidity or originally anticipated investment returns. Accordingly, the timing and amount of future capital or liquidity calls in any particular years are uncertain. The limited partnerships generally invest in the following:
(1) buyout funds which invest in more established companies in need of some repair or growth,
(2) debt funds which provide lending to companies that are being restructured or re-capitalized,
(3) real estate funds which provide capital for new construction, renovation or change in property ownership or management and (4) venture funds which invest in young companies with varying degrees of infrastructure, revenues and profits. The University has agreed to make subscription payments in response to capital calls from the funds. The amount of outstanding subscriptions payments was \$4,031,362 and \$3,329,806 as of May 31, 2024 and 2023, respectively. The timing of the payments is not known at this time.
- The University measures the fair value for alternative investments based on NAV as a practical expedient, without further adjustment, unless it is probable that the investment will be sold at a significantly different value. If not determined as of the University's measurement date, NAV is adjusted to reflect any significant events that would materially affect the security's value. Certain attributes that impact the security's fair value may not be reflected in NAV, including, but not limited to, the investor's ability to redeem the investment at the measurement date and unfunded purchase commitments. If the University sold all or a portion of its alternative investments, it is reasonably possible that the transaction value could differ significantly from the estimated fair value at the measurement date, because of the nature of the investments, changes in market conditions and the overall economic environment.
- Funds held in trust for others are measured at fair value based on the underlying investments within the trust, which may include publicly traded securities, bonds, and other financial instruments. As the assets held in the trust consist of securities for which quoted market prices in active markets are available, the University has classified its interest as Level 2
- Beneficial interest in perpetual trusts are measured at fair value using the University's percentage of the underlying trust assets. This is considered a Level 3 measurement because even though the measurement is based on the underlying fair value of the trust assets as reported by the trustee, the University will never receive those assets or have the ability to direct the trustee to redeem them.

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Notes to Financial Statements

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6. Liquidity and Funds Available

The following table reflects the University's financial assets which are available for general expenditures within one year. Financial assets are considered unavailable when restricted, illiquid or not convertible to cash within one year due to contractual or donor restrictions or Board of Trustees action. Assets considered illiquid are mandatory debt service reserves, assets held for others, perpetual trusts, perpetual and Board-designated endowments and accumulated earnings thereon, net of appropriations to be taken within one year. The Board-designated amounts could be drawn upon if the Board approves that action. Liquidity and funds available consist of the following at May 31:

	2024	2023
Cash and cash equivalents (net of cash restricted for capital improvements, endowment, debt, loan programs or held in a fiduciary capacity)	\$ 17,280,108	\$ 20,870,096
Short-term investments (net of restricted investments)	9,206,125	12,429,533
Student accounts receivable, net	10,212,749	8,406,657
Contributions receivable due within one year	599,314	1,064,421
Grants and contracts receivable	748,999	913,359
Planned appropriation of endowment	3,243,232	2,594,770
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 41,290,527</u>	<u>\$ 46,278,836</u>

The University also has \$3,000,000 of cash and cash equivalents that have been designated for institutional debt service. The University has liquid assets on hand to cover approximately 138 and 165 days of operating expenses as of May 31, 2024 and 2023, respectively. The University structures its financial assets to be available as general expenditures, liabilities and other obligations come due. To help manage unanticipated liquidity needs, the University has a committed line of credit in the amount of \$5,000,000, which it could draw upon at May 31, 2024 and 2023.

7. Property, Plant and Equipment

Property, plant and equipment consist of the following at May 31:

	2024	2023
Land	\$ 6,133,283	\$ 6,133,283
Land improvements	21,824,409	20,533,639
Buildings	94,521,562	94,521,562
Building improvements	86,400,008	83,999,054
Furniture, fixtures and equipment	28,168,909	26,445,733
Vehicles	1,201,606	992,452
Leasehold improvements	4,516	-
Construction in progress	4,719,668	2,309,140
Total cost	242,973,961	234,934,863
Accumulated depreciation	<u>(125,198,218)</u>	<u>(120,293,857)</u>
Net	<u>\$ 117,775,743</u>	<u>\$ 114,641,006</u>

Major projects included in construction in progress as of May 31, 2024 include gym renovations and various academic building improvements. The total budget for all projects in progress is \$10,000,000 to be completed over the next several years. As of May 31, 2024, approximately \$4,750,000 was expended or accrued for these projects and an additional \$4,507,000 was committed as of May 31, 2024. Projects will be funded by a combination of federal and state grants, contributions and University funds.

During 2023, the University determined that \$2,953,434 of property, plant and equipment was the property and responsibility of the City of Wilkes-Barre, Pennsylvania, and as such was removed from property, plant and equipment balances on the statements of financial position and is reported in the statements of activities as adjustment for property.

8. Line of Credit

The University has an unsecured \$5,000,000 line of credit with PNC Bank. Interest is payable monthly at Bloomberg Short Term Bank Yield (BSBY) plus 2.00% (7.32% at May 31, 2024). There were no amounts outstanding under the line of credit at May 31, 2024 and 2023. The line of credit expires on January 31, 2025.

9. Bonds and Note Payable

Bonds and note payable at May 31 is summarized as follows:

	<u>2024</u>	<u>2023</u>
Series A of 2016 University Revenue Refunding Bonds (issued through Northeastern Pennsylvania Hospital and Education Authority), payable semi-annually in principal installments ranging from \$1,125,000 to \$2,515,000, plus interest at rates ranging from 3.00% to 5.00%, with final maturity in 2037.	\$ 23,600,000	\$ 24,655,000
Series B of 2016 University Revenue Refunding Bonds (issued through Northeastern Pennsylvania Hospital and Education Authority) payable semi-annually in principal installments ranging from \$770,000 to \$1,420,000, plus interest at rates ranging from 5.00% to 5.25%, with final maturity in 2037.	13,845,000	14,585,000
Series 2019 revenue note payable semi-annually with interest at 5%, beginning in 2038, principal installments ranging from \$1,140,000 to \$3,250,000, with final maturity in 2043.	10,000,000	10,000,000
Series 2021 University Revenue Refunding Bonds (issued through City of Wilkes Barre Finance Authority), payable semi-annually with interest at 4%, beginning in 2038, principal installments ranging from \$2,910,000 to \$3,405,000, with final maturity in 2042.	<u>15,765,000</u>	<u>15,765,000</u>
Total	63,210,000	65,005,000
Premiums	3,807,868	4,209,732
Discount	(187,268)	(197,125)
Issuance costs	<u>(829,967)</u>	<u>(904,058)</u>
Net	<u>\$ 66,000,633</u>	<u>\$ 68,113,549</u>

Wilkes University

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The bonds and revenue note are collateralized by a security interest in the University's unrestricted gross revenues.

Expected principal payments are as follows:

Years ending May 31:	
2025	\$ 1,895,000
2026	2,000,000
2027	2,115,000
2028	2,230,000
2029	2,495,000
2030-2034	15,470,000
2035-2039	19,510,000
2040-2043	17,495,000
Total	<u>\$ 63,210,000</u>

10. Tuition and Fees

The University's net tuition and fee revenues are disaggregated as follows:

	2024	2023
Undergraduate programs:		
Tuition	\$ 41,257,452	\$ 41,273,697
Fees	5,876,181	5,951,956
Total undergraduate	<u>47,133,633</u>	<u>47,225,653</u>
Graduate programs:		
Tuition	30,752,208	29,025,668
Fees	2,665,664	2,554,231
Total graduate	<u>33,417,872</u>	<u>31,579,899</u>
Other:		
Tuition	220,019	216,553
Fees	281,488	291,100
Total other	<u>501,507</u>	<u>507,653</u>
Total net tuition and fees	<u>\$ 81,053,012</u>	<u>\$ 79,313,205</u>

11. Leases

The University has entered into the following lease arrangements:

Operating leases: the University leases a student housing facility, office/classroom space, copiers and other equipment. The leases generally have initial lease terms of three to five years, with one lease having an initial term of 12 years.

Short-term leases: The University has certain leases that are for periods of 12 months or less. Leases with an initial term of 12 months or less are not recorded on the statements of financial position since the University has elected the practical expedient to exclude these leases from operating right of use asset and lease liabilities. Short-term lease expenses are recognized on a straight-line basis over the lease term as an operating expense.

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The University makes certain assumptions and judgements in determining the discount rate, as most leases do not provide an implicit rate. The University uses their incremental borrowing rate, for collateralized borrowing, based on information available at the commencement date in determining the present value of lease payments.

Subsequent to the lease commencement date, the University reassesses lease classification when there is a contract modification that is accounted for as a separate contract, a change in the lease term or a change in the assessment of whether the lessee is reasonably certain to exercise an option to purchase the underlying asset or terminate the lease.

Future minimum lease payments under operating leases at May 31, 2024 are as follows:

Years ending May 31:	
2025	\$ 659,912
2026	640,440
2027	639,127
2028	636,028
2029	640,502
Thereafter	<u>636,362</u>
Total	3,852,371
Less amount representing interest	<u>(581,662)</u>
Present value of net minimum lease payments	<u>\$ 3,270,709</u>

Total lease costs are comprised of the following in 2024 and 2023:

	2024	2023
Lease cost:		
Finance lease cost:		
Amortization of right of use assets	\$ -	\$ 52,587
Interest on lease liabilities	-	73,400
Operating lease cost	753,010	748,829
Short-term lease cost	<u>96,750</u>	<u>59,607</u>
Total lease cost	<u>\$ 849,760</u>	<u>\$ 934,423</u>
Other information:		
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows for finance leases	\$ -	\$ 73,400
Operating cash flows for operating leases	753,010	748,829
Right of use assets obtained in exchange for new:		
Operating lease liabilities	106,715	101,253
Weighted-average remaining lease term:		
Operating leases	6.9 years	6.7 years
Weighted-average discount rate:		
Operating leases	6.6%	5.9%

12. Expenses by Nature and Function

The tables below present expenses by both their nature and function. The functions of instruction, research, academic support and student services are grouped as academic and student programs. Fundraising is included within the category of institutional support.

The financial statements report certain categories of expenses that are attributable to one or more programs or supporting functions by the University. Depreciation, interest, utilities, insurance and operations and maintenance costs have been allocated based on square footage of supported buildings. Employee benefits have been allocated based on salaries by function. Information technology expenses have been allocated based on number of computers located in academic and administrative buildings.

Functional expenses by natural classification as of May 31, 2024:

	Program Services			Management and General		Total
	Academic and Student Programs	Public Service	Auxiliary Enterprises	Institutional Support	Operations and Maintenance	
Salaries and wages	\$ 35,097,626	\$ 1,598,869	\$ 589,409	\$ 5,891,060	\$ 3,623,500	\$ 46,800,464
Fringe benefits	10,928,577	520,797	3,741	1,895,624	1,130,683	14,479,422
Depreciation	2,370,126	56,933	2,327,453	258,734	88,084	5,101,330
Education partner contracts	10,065,771	-	-	3,085,923	-	13,151,694
Contracts and consultants	4,325,463	354,843	2,205,151	1,432,689	1,172,702	9,490,848
Occupancy expenses	1,941,762	108,480	2,198,407	879,976	233,330	5,361,955
Travel, training and entertainment	2,408,639	58,145	445	692,323	1,600	3,161,152
Interest expense	1,269,323	30,491	1,246,470	141,483	44,462	2,732,229
Other expenses	5,235,827	207,332	5,870	3,034,731	495,421	8,979,181
Total natural expenses	73,643,114	2,935,890	8,576,946	17,312,543	6,789,782	109,258,275
Allocated operations and maintenance	3,206,539	77,025	3,148,806	357,412	(6,789,782)	-
Total functional expenses	<u>\$ 76,849,653</u>	<u>\$ 3,012,915</u>	<u>\$ 11,725,752</u>	<u>\$ 17,669,955</u>	<u>\$ -</u>	<u>\$ 109,258,275</u>

Functional expenses by natural classification as of May 31, 2023:

	Program Services			Management and General		Total
	Academic and Student Programs	Public Service	Auxiliary Enterprises	Institutional Support	Operations and Maintenance	
Salaries and wages	\$ 34,204,630	\$ 1,560,885	\$ 584,072	\$ 6,028,704	\$ 3,576,390	\$ 45,954,681
Fringe benefits	9,291,776	442,578	3,773	1,642,564	970,017	12,350,708
Depreciation	2,276,905	54,694	2,235,910	253,792	79,760	4,901,061
Education partner contracts	9,467,033	-	-	2,861,807	-	12,328,840
Contracts and consultants	4,169,611	471,271	2,226,104	1,224,248	1,222,935	9,314,169
Occupancy expenses	2,089,299	123,727	2,418,272	992,462	134,602	5,758,362
Travel, training and entertainment	2,189,790	51,167	19	391,281	1,646	2,633,903
Interest expense	1,336,468	32,104	1,312,405	148,967	46,816	2,876,760
Other expenses	4,066,287	189,398	4,952	2,800,110	498,862	7,559,609
Total natural expenses	69,091,799	2,925,824	8,785,507	16,343,935	6,531,028	103,678,093
Allocated operations and maintenance	3,084,340	74,090	3,028,807	343,791	(6,531,028)	-
Total functional expenses	<u>\$ 72,176,139</u>	<u>\$ 2,999,914</u>	<u>\$ 11,814,314</u>	<u>\$ 16,687,726</u>	<u>\$ -</u>	<u>\$ 103,678,093</u>

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13. Net Assets

Net assets consist of the following at May 31:

	2024	2023
Net assets without donor restrictions:		
Undesignated	\$ 14,436,445	\$ 18,136,944
Institutional debt reserve	3,000,000	5,000,000
Mandated for debt service	1,709,471	1,625,507
Board-designated quasi-endowment and accumulated earnings	16,973,130	15,567,199
Net investment in property, plant and equipment	51,527,740	47,570,558
Total net assets without donor restrictions	<u>\$ 87,646,786</u>	<u>\$ 87,900,208</u>
Net assets with donor restrictions:		
Subject to expenditure for a specified purpose:		
Scholarships and awards	\$ 1,529,114	\$ 1,889,715
Academic, research and student programs	1,406,051	1,582,587
Capital projects	156,700	260,475
Total	<u>3,091,865</u>	<u>3,732,777</u>
Subject to the passage of time:		
Contributions receivable	119,022	398,738
Term endowment, scholarships	757,920	757,920
Term endowment, unrestricted purposes	467,656	467,655
Annuity and life income funds	677,737	517,051
Total	<u>2,022,335</u>	<u>2,141,364</u>
Subject to the University's spending policy and appropriation:		
Accumulated endowment gains	16,805,423	12,737,011
Total	<u>21,919,623</u>	<u>18,611,152</u>
Subject to restriction in perpetuity:		
Endowment contributions receivable	506,349	864,302
Endowment, scholarships and awards	20,442,333	18,910,006
Endowment, academic, research and student programs	10,272,719	9,829,237
Endowment, capital projects	253,416	253,416
Accumulated endowment gains	1,238,699	1,046,900
Perpetual trusts, scholarships	6,403,334	5,855,471
Perpetual trusts, unrestricted purposes	1,233,061	1,103,493
Total	<u>40,349,911</u>	<u>37,862,825</u>
Total net assets with donor restrictions	<u>\$ 62,269,534</u>	<u>\$ 56,473,977</u>

14. Endowment Net Assets

The University's endowment consists of individual funds established for a variety of purposes and includes both donor-restricted endowment funds and funds designated by the Board of Trustees to function as endowments. Net assets associated with endowment funds, including funds designated by the Board of Trustees to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law

The University classifies net assets with donor restrictions as (a) the original value of gifts donated to the permanent endowment; (b) the original value of subsequent gifts to the permanent endowment and; (c) accumulations to the permanent endowment until those accumulations are appropriated for expenditure by the University in a manner consistent with the standard of prudence prescribed by relevant law.

Pennsylvania law permits the Board of Trustees to make an election to annually appropriate for expenditure a selected percentage between 2% and 7% of the fair value of the assets related to donor-restricted endowment funds averaged over a period of three or more preceding years, provided the Board of Trustees has determined that such percentage is consistent with the long-term preservation of the real value of such assets.

Return Objectives and Risk Parameters

The University has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment, while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the University must hold in perpetuity or for a donor-specified period, as well as Board-designated funds. Actual returns in any given year may vary from that amount.

Strategies Employed for Achieving Objectives

The Prudent Investor Rule of the Commonwealth of Pennsylvania views investment prudence on the part of the fiduciary from the standpoint of the total portfolio. Therefore, any reasonable investment may be considered for endowment pool assets as long as the risk and return trade-off of the entire portfolio is prudent. The University's investment policy includes a target asset allocation, well diversified among suitable asset classes, that is expected to generate, on average, the level of expected return necessary to meet endowment objectives at a responsible level of volatility consistent with achieving that return.

Spending Policy and How the Investment Objectives Relate to Spending Policy

The University has a policy of appropriating for distribution each year up to 4.4% of its funds subject to Board of Trustees' discretion calculated over a 12 quarter average value. The University's objective is to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term as well as to provide additional real growth through new gifts and investment return.

Funds With Deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the original gift amount. The University policy states that funds with deficiencies cannot be drawn on. There were no deficiencies of this nature as of May 31, 2024 and 2023.

Net Asset Classifications of Endowment Funds

The changes in endowment net assets in 2024 were as follows:

	Board- Designated - Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, June 1, 2023	\$ 15,567,199	\$ 44,002,145	\$ 59,569,344
Investment return:			
Investment income	391,835	1,089,758	1,481,593
Net realized and unrealized gains	1,729,736	5,049,583	6,779,319
Total investment return	2,121,571	6,139,341	8,260,912
Contributions	-	1,954,358	1,954,358
Appropriation of endowment assets for expenditure	(715,640)	(1,879,130)	(2,594,770)
Other additions*	-	21,452	21,452
Endowment net assets, May 31, 2024	\$ 16,973,130	\$ 50,238,166	\$ 67,211,296

* Other additions include prior year contributions that were reclassified to endowment funds per donor decision.

Changes in endowment net assets in 2023 were as follows:

	Board- Designated - Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, June 1, 2022	\$ 16,341,210	\$ 45,043,702	\$ 61,384,912
Investment return:			
Investment income	349,149	950,010	1,299,159
Net realized and unrealized losses	(386,465)	(1,243,582)	(1,630,047)
Total investment loss	(37,316)	(293,572)	(330,888)
Contributions	-	906,470	906,470
Appropriation of endowment assets for expenditure	(756,695)	(1,673,154)	(2,429,849)
Other additions*	20,000	18,699	38,699
Endowment net assets, May 31, 2023	\$ 15,567,199	\$ 44,002,145	\$ 59,569,344

* Other additions include prior year contributions that were reclassified to endowment funds per donor decision.

15. Retirement Plans

Eligible employees of the University may elect to participate in the University's two defined contribution retirement plans. The University's contributions to the plans were approximately \$2,391,000 in 2024 and \$2,306,000 in 2023.

16. Commitments and Contingencies**Online Degree-Granting Program Service Provider**

In February 2020, the University entered into an agreement with an academic program management provider to facilitate certain online degree programs. The University is responsible for developing the course content while the provider is responsible for recruitment, marketing and program development of the program. The contract entitles the provider to 55% of the gross tuition amount billed to students for any students accepted into the program after April 1, 2020 and 20% of the gross tuition amount billed to student for any students accepted into the program before April 1, 2020 for development of program design, academic services and marketing efforts. The agreement is a ten-year agreement from the first enrollment which began in Fall 2020.

The University recognized \$12,343,693 in 2024 and \$11,447,226 in 2023 of expense related to this agreement. The expense is allocated on the statements of activities among the functional areas of instruction, student services and institutional support and is included in the education partner contracts natural expense category.

Agency Audits

Amounts received and expended by the University under various federal and state programs (principally related to student financial aid) are subject to audit by governmental agencies. In the opinion of management, audit adjustments, if any, will not have a significant effect on the financial position or result of activities of the University.

17. Related-Party Transactions

The University conducts transactions with related parties on terms equivalent to those that prevail in arm's length transactions. Related-party activity is conducted in accordance with the University's procurement process and includes a competitive bidding process whereby the related party is excluded from the discussion and decision-making process.

Contributions from related parties totaled approximately \$316,000 and \$231,000 for the years ended May 31, 2024 and 2023, respectively. Contribution receivables from related parties total \$187,838 and \$347,255 at May 31, 2024 and 2023, respectively.

The University utilized related-party vendors for construction services totaling approximately \$1,251,000 and \$1,659,000 for the years ended May 31, 2024 and 2023, respectively.

18. Title IV Requirements

The University participates in student financial assistance programs (Title IV) administered by the ED for the payment of student tuition. Substantial portions of the University's revenue relating to student tuition are dependent upon the continued participation in the Title IV programs.

Institutions participating in Title IV programs are required to demonstrate financial responsibility. Financial responsibility is determined through the calculation of a composite score based upon certain financial ratios as defined in regulations. Institutions receiving a composite score of 1.5 or greater are considered fully financially responsible. Institutions receiving a composite score between 1.0 and 1.4 are subject to additional monitoring and institutions receiving a score below 1.0 are required to submit financial guarantees in order to continue participation. The University's composite score exceeded 1.5 in 2024 and 2023.

The ED requires the University to provide additional disclosures to assist the ED in measuring financial responsibility through the composite score of financial ratios. The following information is required by the ED at May 31:

	2024	2023
Property, plant and equipment, net, pre-implementation	\$ 86,755,448	\$ 90,524,979
Property, plant and equipment, net, post-implementation without outstanding debt for original purchase	21,236,682	16,649,070
Property, plant and equipment, net, post-implementation with outstanding debt for original purchase	8,087,286	8,678,186
Construction in progress, post-implementation without outstanding debt for original purpose	4,719,666	2,309,140
Total	120,799,082	118,161,375
Right of use assets	(3,023,339)	(3,520,369)
Property, plant and equipment, net	<u>\$ 117,775,743</u>	<u>\$ 114,641,006</u>
Long-term debt, for long-term purposes, pre-implementation	\$ 55,979,409	\$ 58,092,325
Long-term debt, for long-term purposes, post-implementation	8,087,286	8,678,186
Long-term debt, for long-term purposes, post-implementation, capped at property and equipment, net, post-implementation	1,320,069	1,221,544
Long-term debt, associated with operations	3,884,578	3,884,578
Operating lease obligations	(3,270,709)	(3,763,084)
Long-term debt, net	<u>\$ 66,000,633</u>	<u>\$ 68,113,549</u>
Intangible assets	\$ 13,000	\$ 13,000
Post-employment and pension liabilities	\$ 108,748	\$ 108,748