

SETON HILL UNIVERSITY AND AFFILIATE  
Greensburg, Pennsylvania

Combined Financial Statements  
For the years ended June 30, 2024 and 2023  
and Independent Auditor's Report Thereon



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## INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees  
Seton Hill University  
Greensburg, Pennsylvania

### **Opinion**

We have audited the accompanying combined financial statements of Seton Hill University and Affiliate (University), which comprise the statements of financial position as of June 30, 2024 and 2023, and the related combined statements of activities and changes in net assets, functional expenses and cash flows for the year then ended, and the related notes to the combined financial statements.

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

### **Basis for Opinion**

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Combined 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 Combined Financial Statements**

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

In preparing the combined 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 combined financial statements are available to be issued.

## **Auditor's Responsibilities for the Audit of the Combined Financial Statements**

Our objectives are to obtain reasonable assurance about whether the combined 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 generally accepted auditing standards 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 combined financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the combined 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 combined 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 combined 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.

A handwritten signature in blue ink that reads "Schneider Downs & Co, Inc." The signature is written in a cursive, flowing style.

Pittsburgh, Pennsylvania  
November 25, 2024

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SETON HILL UNIVERSITY AND AFFILIATE

COMBINED STATEMENTS OF FINANCIAL POSITION

	June 30	
	2024	2023
<b>ASSETS</b>		
Cash and cash equivalents	\$ 25,481	\$ 16,396
Student accounts receivable (less allowance of \$1,434,542 and \$1,254,845, respectively)	1,880,743	1,137,009
Other receivables, net	4,508,299	4,634,869
Contributions receivable, net	2,221,909	1,288,462
Prepaid expenses and other assets	2,672,193	2,752,781
Notes receivable (less allowance of \$40,000 in 2024 and 2023)	329,957	419,722
Investments:		
Investments	74,720,414	68,005,556
Restricted bond fund	-	1,398,398
Property, buildings and equipment, net	111,246,107	113,302,738
Right-of-use assets - operating leases, net	1,416,231	1,677,776
<b>Total Assets</b>	<b>\$ 199,021,334</b>	<b>\$ 194,633,707</b>
<b>LIABILITIES</b>		
Accounts payable	\$ 1,348,303	\$ 1,194,628
Accrued liabilities	1,538,378	2,083,323
Contract liabilities	5,667,825	5,274,712
Bonds, notes and finance leases payable	45,584,621	46,871,852
Operating lease liabilities	1,417,644	1,680,089
Advances from federal government for student loans	326,119	340,549
<b>Total Liabilities</b>	<b>55,882,890</b>	<b>57,445,153</b>
<b>NET ASSETS</b>		
Without Donor Restrictions		
Undesignated	71,855,557	73,769,599
Board-designated	20,837,556	17,094,654
	92,693,113	90,864,253
With Donor Restrictions	50,445,331	46,324,301
	50,445,331	46,324,301
<b>Total Net Assets</b>	<b>143,138,444</b>	<b>137,188,554</b>
<b>Total Liabilities And Net Assets</b>	<b>\$ 199,021,334</b>	<b>\$ 194,633,707</b>

See accompanying notes to combined financial statements.

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SETON HILL UNIVERSITY AND AFFILIATE

COMBINED STATEMENTS OF ACTIVITIES AND CHANGES IN NET ASSETS  
FOR THE YEARS ENDED JUNE 30, 2024 AND 2023

	2024		
	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES AND OTHER ADDITIONS			
Tuition and fees	\$ 72,830,151	-	\$ 72,830,151
Tuition discounts	(37,512,307)	-	(37,512,307)
Total Tuition and Fees, Net	35,317,844	-	35,317,844
Auxiliary enterprises	11,253,883	-	11,253,883
Federal and state grants	3,373,764	-	3,373,764
Private gifts and grants	446,435	\$ 5,843,818	6,290,253
Interest and dividend income	470,123	925,174	1,395,297
Rental income	2,695,454	-	2,695,454
Other	3,670,463	336,032	4,006,495
Total Operating Revenues And Other Additions Before Net Assets Released From Restriction	57,227,966	7,105,024	64,332,990
NET ASSETS RELEASED FROM RESTRICTIONS	6,649,664	(6,649,664)	-
Total Operating Revenues And Other Additions	63,877,630	455,360	64,332,990
OPERATING EXPENDITURES AND OTHER DEDUCTIONS			
Instruction	24,913,216	-	24,913,216
Public service	42,168	-	42,168
Academic support	3,723,729	-	3,723,729
Student services	11,577,718	-	11,577,718
Auxiliary enterprises	7,290,843	-	7,290,843
Management and general	14,127,317	-	14,127,317
Fundraising	1,835,328	-	1,835,328
Total Operating Expenditures And Other Deductions	63,510,319	-	63,510,319
Total Revenues Less Expenses	367,311	455,360	822,671
OTHER ACTIVITIES			
Unrealized and realized gains on investments, net	1,461,549	3,665,670	5,127,219
Changes In Net Assets	1,828,860	4,121,030	5,949,890
NET ASSETS			
Beginning of year	90,864,253	46,324,301	137,188,554
End of year	\$ 92,693,113	\$50,445,331	\$143,138,444



2023		
Without Donor Restrictions	With Donor Restrictions	Total
\$ 71,168,641	-	\$ 71,168,641
(37,382,631)	-	(37,382,631)
33,786,010	-	33,786,010
11,391,183	-	11,391,183
3,348,661	-	3,348,661
393,443	\$ 4,838,243	5,231,686
448,236	947,997	1,396,233
2,341,590	-	2,341,590
2,480,543	542,942	3,023,485
54,189,666	6,329,182	60,518,848
6,091,824	(6,091,824)	-
60,281,490	237,358	60,518,848
22,936,225	-	22,936,225
36,945	-	36,945
3,339,068	-	3,339,068
10,448,761	-	10,448,761
7,167,609	-	7,167,609
13,930,980	-	13,930,980
1,527,627	-	1,527,627
59,387,215	-	59,387,215
894,275	237,358	1,131,633
810,216	2,236,737	3,046,953
1,704,491	2,474,095	4,178,586
89,159,762	43,850,206	133,009,968
<u>\$ 90,864,253</u>	<u>\$46,324,301</u>	<u>\$ 137,188,554</u>

See accompanying notes to combined financial statements.

SETON HILL UNIVERSITY AND AFFILIATE

COMBINED STATEMENT OF FUNCTIONAL EXPENSES  
FOR THE YEARS ENDED JUNE 30, 2024 AND 2023

2024						
Program Services						
	Instruction	Public Service	Academic Support	Student Services	Auxiliary Enterprises	Total
Salaries and Wages	\$ 12,795,897	\$ 3,367	\$ 2,205,715	\$ 5,506,933	\$ 205,883	\$ 20,717,795
Employee Benefits	3,377,262	1,402	611,679	1,696,803	85,692	5,772,838
Professional Fees	1,023,171	6,024	34,373	459,036	465,849	1,988,453
Occupancy	762,747	5,771	137,232	181,928	366,013	1,453,691
Interest	785,011	6,639	149,680	167,405	405,902	1,514,637
Depreciation and Amortization	3,217,511	12,487	116,481	314,863	763,440	4,424,782
Information Technology	8,771	-	152,345	-	-	161,116
Travel	236,157	63	92,740	1,433,431	15,330	1,777,721
Food Service	-	-	-	-	4,583,573	4,583,573
Other	2,706,689	6,415	223,482	1,817,319	399,161	5,153,066
	<u>\$24,913,216</u>	<u>\$42,168</u>	<u>\$3,723,727</u>	<u>\$ 11,577,718</u>	<u>\$ 7,290,843</u>	<u>\$ 47,547,672</u>
2023						
Program Services						
	Instruction	Public Service	Academic Support	Student Services	Auxiliary Enterprises	Total
Salaries and Wages	\$ 11,756,405	\$ 3,227	\$ 1,991,267	\$ 4,895,545	\$ 197,280	\$ 18,843,724
Employee Benefits	3,375,798	1,325	565,015	1,554,246	80,988	5,577,372
Professional Fees	906,025	5,597	29,262	581,678	435,451	1,958,013
Occupancy	620,203	4,719	73,726	152,224	629,506	1,480,378
Interest	631,732	5,353	129,672	134,965	327,247	1,228,969
Depreciation and Amortization	3,255,360	13,044	121,309	328,912	797,505	4,516,130
Information Technology	18,673	-	86,834	-	-	105,507
Travel	205,071	2,523	86,756	1,277,838	12,931	1,585,119
Food Service	-	-	-	-	4,575,774	4,575,774
Other	2,166,958	1,157	255,227	1,523,353	110,927	4,057,622
	<u>\$22,936,225</u>	<u>\$36,945</u>	<u>\$3,339,068</u>	<u>\$ 10,448,761</u>	<u>\$ 7,167,609</u>	<u>\$ 43,928,608</u>

Management and General	Fundraising	Total
\$ 3,750,023	\$ 1,087,032	\$25,554,850
2,312,954	306,909	8,392,701
3,122,842	222,718	5,334,013
299,912	1,200	1,754,803
306,092	-	1,820,729
527,293	-	4,952,075
33,048	-	194,164
216,428	47,568	2,041,717
-	-	4,583,573
3,558,727	169,901	8,881,694
<u>\$ 14,127,319</u>	<u>\$ 1,835,328</u>	<u>\$63,510,319</u>

Management and General	Fundraising	Totals
\$ 3,780,695	\$ 891,069	\$23,515,488
2,178,752	256,917	8,013,041
2,765,975	187,016	4,911,004
360,551	-	1,840,929
253,693	-	1,482,662
550,821	-	5,066,951
33,762	-	139,269
160,326	35,259	1,780,704
-	-	4,575,774
3,846,405	157,366	8,061,393
<u>\$ 13,930,980</u>	<u>\$ 1,527,627</u>	<u>\$59,387,215</u>

See accompanying notes to combined financial statements.

SETON HILL UNIVERSITY AND AFFILIATE

COMBINED STATEMENTS OF CASH FLOWS  
FOR THE YEARS ENDED JUNE 30, 2024 AND 2023

	<u>2024</u>	<u>2023</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Changes in net assets	\$ 5,949,890	\$ 4,178,586
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Bad debt expense	269,610	263,928
Depreciation and amortization	5,266,832	5,381,710
Bond premium amortization	(92,165)	(176,543)
Loss on disposal of property, buildings and equipment	-	527,858
Unrealized and realized investment gains, net	(5,127,219)	(3,046,953)
Private gifts and grants restricted for long-term investment	(1,386,460)	(2,585,779)
Changes in assets and liabilities:		
Accounts receivable	(886,774)	(1,121,325)
Contributions receivable	(933,447)	183,539
Notes receivable	89,765	365,733
Prepaid expenses and other assets	80,588	(663,444)
Accounts payable and accrued liabilities	(697,287)	(2,091,220)
Contract liabilities	<u>393,113</u>	<u>(206,037)</u>
Net Cash Provided By Operating Activities	2,926,446	1,010,053
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property, buildings and equipment	(2,452,676)	(3,814,246)
(Purchases) Sales of investments, net	(189,241)	1,614,468
Proceeds from sale of property, plant and equipment	<u>9,280</u>	<u>-</u>
Net Cash Used In Investing Activities	(2,632,637)	(2,199,778)
CASH FLOWS FROM FINANCING ACTIVITIES		
Decrease in advances from federal government for student loans, net	(14,430)	(367,368)
Private gifts and grants restricted for long-term investments	1,386,460	2,585,779
Payments on leases	<u>(886,754)</u>	<u>(1,042,242)</u>
Net Cash (Used In) Provided By Financing Activities	<u>(284,724)</u>	<u>1,176,169</u>
Net Increase (Decrease) In Cash, Cash Equivalents	9,085	(13,556)
CASH AND CASH EQUIVALENTS		
Beginning of year	<u>16,396</u>	<u>29,952</u>
End of year	<u><u>\$ 25,481</u></u>	<u><u>\$ 16,396</u></u>

	<u>2024</u>	<u>2023</u>
SUPPLEMENTAL SCHEDULE OF NONCASH INVESTING AND FINANCING ACTIVITIES		
Cash paid during the year for interest	<u>\$ 1,799,372</u>	<u>\$ 1,459,692</u>
Finance lease obligations incurred for purchases of equipment	<u>\$ 146,030</u>	<u>\$ 1,294,160</u>
Capital expenditures included in accounts payable	<u>\$ 306,017</u>	<u>\$ 139,489</u>

See accompanying notes to combined financial statements.

SETON HILL UNIVERSITY AND AFFILIATE  
NOTES TO COMBINED FINANCIAL STATEMENTS  
JUNE 30, 2024 AND 2023

NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Seton Hill is a Catholic university rooted in Judeo-Christian values. In the tradition of Elizabeth Ann Seton, Seton Hill educates students to think and act critically, creatively and ethically as productive members of society committed to transforming the world.

Seton Hill University and Affiliate (University), located in Greensburg, Pennsylvania, is a Catholic liberal arts university chartered in the Commonwealth of Pennsylvania. Seton Hill Properties, Inc. (Properties) is a supporting organization of the University and was incorporated for the purpose of holding title on certain property on behalf of the University.

A summary of significant accounting policies consistently applied by the administration in the preparation of the accompanying combined financial statements follows:

**Basis of Accounting** - The combined financial statements of the University are prepared using the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP).

**Principles of Combination** - The accompanying combined financial statements include the accounts of the University and Properties. All significant intercompany balances and transactions have been eliminated in combination.

**Cash and Cash Equivalents** - The University maintains, at various financial institutions, cash that may at times exceed federally insured amounts. Cash equivalents include all highly liquid investments with original maturities of three months or less.

**Student Accounts Receivable** - Student accounts receivable are reported at their outstanding principal balance adjusted for any charge-offs and net of the allowance for credit losses. The allowance for credit losses is increased by charges to institutional support and decreased by charge-offs (net of recoveries). Management's periodic evaluation of the adequacy of the allowance is based on the University's experience, adverse conditions that might affect the borrower's ability to pay and current and future economic conditions. All delinquent accounts that are over a year old have been reserved for at 100%.

**Contributions Receivable** - Contributions, including unconditional promises to give, are recognized as revenues in the period received. Unconditional promises to give (pledges) that are expected to be collected in future years are recorded at the present value of their estimated future cash flows. The discounts on those amounts are computed using a risk-free interest rate, which is adjusted annually. Amortization of the discounts is included in contribution revenue. Conditional promises to give are not recognized until the conditions on which they depend are substantially met.

**Notes Receivable** - Notes receivable represent notes receivable from students from the Perkins loan program, as well as notes receivable from students from a donor-funded loan program. The notes receivable are reported at their outstanding principal balance adjusted for any charge-offs and net of the allowance for doubtful accounts.

SETON HILL UNIVERSITY AND AFFILIATE  
NOTES TO COMBINED FINANCIAL STATEMENTS  
JUNE 30, 2024 AND 2023

NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments - The University's investments are composed of the endowment and other investments held for general operating purposes. The University records investment purchases at cost or, if donated, at fair value on the date of donation. Thereafter, investments are reported at fair value in the combined statement of financial position. Net investment return is reported in the combined statements of activities and changes in net assets and consists of interest and dividend income, realized and unrealized capital gains and losses, less direct investment expenses.

Alternative investment funds, which are not readily marketable, are carried at net asset value (NAV) as provided by the investment managers, which is a practical expedient to estimate fair value. The University reviews and evaluates the values and agrees with the valuation methods and assumptions used in determining the NAVs of the alternative investments. Those estimated NAVs might differ from the fair values that would have been used had a ready market for these securities existed.

Due to the level of risk associated with investment securities, changes in value could occur in the near term, and it is reasonably possible that such changes could materially affect the amounts reported in the combined statements of financial position.

Endowment - A portion of the University's net assets are donor-restricted endowment funds and are governed by the Commonwealth of Pennsylvania's Act 141 (Act 141), which permits utilization of a total return policy that allows a nonprofit to choose to treat a percentage of the average market value of the permanent endowment's investments as income each year. (See Note 9.)

Property, Buildings and Equipment - Property, buildings and equipment are recorded at cost or fair value. Donated property, buildings and equipment are recognized at fair value at the date of the gift.

The University reviews the carrying amount of property, buildings and equipment for impairment whenever events or changes in circumstances indicate that the related carrying amounts might not be recoverable. Recoverability of long-lived assets is measured by a comparison of the carrying amount of an asset to future net undiscounted cash flows expected to be generated by the asset. If these comparisons indicate that an asset is not recoverable, the impairment loss recognized is the amount by which the carrying amount of the asset exceeds the related estimated fair value. There were no indicators of asset impairment during the years ended June 30, 2024 and 2023.

Construction-in-Progress - Capitalizable costs incurred on projects that are not in use or ready for use are reported as construction-in-progress. When the asset is ready for use, costs relating thereto are transferred to property, buildings and equipment and depreciation commences.

Collections - The University's collections include religious icons, paintings, prints, photographs, sculptures, drawings and watercolors and decorative arts. These items are held for educational, research, scientific and curatorial purposes. Each of the items is cataloged, preserved and cared for, and activities verifying their existence and assessing their condition are performed continuously. Purchases of collection items are recorded as operating expenditures in the year in which the items are acquired. Contributed collection items are not reflected in the combined financial statements.

Contract Liabilities - Contract liabilities are composed of tuition and other program revenues, primarily the orthodontics program, for amounts received in advance of the period in which they relate.

SETON HILL UNIVERSITY AND AFFILIATE  
NOTES TO COMBINED FINANCIAL STATEMENTS  
JUNE 30, 2024 AND 2023

NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Government Loan Funds - The University administers several federally funded loan programs for the benefit of its students. The liability for advances represents the amount that must be returned to the federal government upon program termination.

Net Assets - Net assets, revenues and expenses, gains and losses are classified based on the existence or absence of donor-imposed 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 not subject to donor-imposed stipulations, including contractual obligations imposed by federal, state and local governmental agencies. Such net assets may be designated by the board of trustees (Board) for specific purposes.

Net Assets With Donor Restrictions - Net assets that are subject to donor-imposed stipulations. Some donor-imposed stipulations are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed stipulations are perpetual in nature, where the donor stipulates that resources be maintained permanently by the University. Generally, the donors of these assets permit the University to use all or part of the income earned on related investments for general or specific purposes.

Revenues from sources other than contributions and certain grants are reported as increases in net assets without donor restrictions. Expenses are reported as decreases in net assets without donor restrictions. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulation or by law.

Tuition and Fees - Tuition and fees are presented in the combined statements of activities and changes in net assets, net of scholarship allowances of approximately \$37,512,000 and \$37,383,000 for the years ended June 30, 2024 and 2023, respectively.

Functional Allocation of Expenses - The costs of programs and supporting services activities have been summarized on a functional basis in the combined statements of activities and changes in net assets. The combined statements of functional expenses present the natural classification detail of expenses by function. Accordingly, certain costs have been allocated among the programs and supporting services benefited.

Income Taxes - The University has been determined to be exempt from federal income taxes under the provisions of Section 501(c)(3) of the Internal Revenue Code of 1986 (IRC) and has further been classified as an organization that is not a private foundation in accordance with Sections 170(b)(1)(A)(ii) and 509(a)(1) of the IRC. Properties has been determined to be a Type I supporting organization under Section 509(a)(3) of the IRC. As a result, no provision for taxes has been made in the accompanying combined financial statements.

The University follows the Income Taxes topic of the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC), clarifying the accounting for uncertainty in income taxes recognized in an entity's financial statements. This topic requires a recognition threshold and measurement principles for financial statement disclosures of tax positions taken or expected to be taken on a tax return. The University has assessed the tax positions it has taken or expects to take in its tax returns, and no liability for uncertain tax positions has been recorded; further, the University has no unrecognized tax benefits. The University is no longer subject to examination of its tax returns for years before 2021.



SETON HILL UNIVERSITY AND AFFILIATE

NOTES TO COMBINED FINANCIAL STATEMENTS

JUNE 30, 2024 AND 2023

NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Use of Estimates - The preparation of combined financial statements in conformity with U.S. GAAP requires the administration 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 combined financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Leases - Leases are recognized under FASB ASC Topic 842, Leases. The University determines if a contract contains a lease at contract inception. A contract contains a lease if there is an identified asset and the University has the right to control the asset. Right-of-use (ROU) assets represent the University's right to use an underlying asset for the lease term, and lease liabilities represent the University's obligation to make lease payments arising from the lease. ROU assets and lease liabilities are recognized at the commencement date based on the present value of lease payments over the lease term. The University uses its incremental borrowing rate in determining the present value of lease payments, unless the implicit rate is readily determinable. If lease terms include options to extend or terminate the lease, the ROU asset and lease liability are measured based on whether or not the University is reasonably certain to exercise those options. Some leasing arrangements require variable payments that are dependent upon usage or output or may vary for other reasons, such as insurance or tax payments. Variable lease payments are recognized as incurred and are not presented as part of the ROU asset or lease liability. The University has lease agreements with lease and non-lease components, which are accounted for as a single-lease component for all classes of leased assets for which the University is the lessee. Additionally, for certain equipment leases, the portfolio approach is applied to account for the operating lease ROU assets and lease liabilities. ROU assets are tested for impairment in the same manner as long-lived assets used in operations.

Operating leases are recorded as ROU assets and operating lease liabilities on the combined statement of financial position, right-of-use asset – operating leases, net and operating lease liabilities, respectively. ROU assets are amortized on a straight-line basis within depreciation and amortization in the combined statement of functional expenses over the lease term.

Finance leases are generally those that allow the University to substantially utilize or pay for the entire asset over its estimated useful life. For finance leases, interest expense is recognized on the lease liability, and the finance ROU asset is amortized over the lease term. Finance leases are recorded in property, plant and equipment, net, and finance lease liabilities within bonds, notes and leases payable on the combined statement of financial position. Finance lease assets are amortized in depreciation and amortization on a straight-line basis over the shorter of the estimated useful lives of the assets or the lease term, with the interest component for lease liabilities included in interest expense on the statement of functional expenses and recognized using the effective interest method over the lease term.

Recently Adopted Accounting Pronouncements - In June 2016, the FASB issued Accounting Standards Update (ASU) 2016-13, Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments, which requires companies to recognize an allowance for credit losses for the difference between the amortized cost basis of a financial instrument and the amount of amortized cost the University expects to collect over the instrument's contractual list. The University adopted this standard in the current year with no significant impact to its combined financial statements and related disclosures.

Subsequent Events - Management has evaluated subsequent events through November 25, 2024, the date on which the combined financial statements were available to be issued.

SETON HILL UNIVERSITY AND AFFILIATE

NOTES TO COMBINED FINANCIAL STATEMENTS

JUNE 30, 2024 AND 2023

NOTE 2 - REVENUE FROM CONTRACTS WITH CUSTOMERS

Disaggregation of Revenue - The University generates revenue from an individual contract with students from one primary source, the comprehensive fee. The provisions of Topic 606 are applied by the University on an individual contract basis. As a practical expedient, the University applies this Topic to a portfolio of contracts with similar characteristics for the comprehensive fee revenue stream. The University expects that the effects of applying this guidance to the portfolios would not significantly differ from applying the guidance to the individual contracts within the portfolio.

Tuition and fees revenue is presented net of student aid on the statement of activities and changes in net assets under its own caption and is derived from delivering undergraduate academic programs to students. Tuition and fees revenue was approximately \$72,830,000 and \$71,169,000 at June 30, 2024 and 2023, respectively. Student aid was approximately \$37,512,000 and \$37,383,000 at June 30, 2024 and 2023, respectively. Tuition and fees are recognized over time as the academic programs are delivered to students, because the students simultaneously receive and consume the benefits provided by the University as it satisfies the performance obligation. Institutional scholarships and other student aid reduce the amount of revenue recognized. At the beginning of each academic term, there is a period in which students may adjust their course load or withdraw completely. Refunds issued to students reduce the amount of revenue recognized and are recorded as refunds occur and become known. Payments for tuition and fees are due prior to the start of each academic semester and are recorded as a contract liability on the combined statement of financial position as of June 30, 2024 and 2023.

Auxiliary activity revenue is presented on the combined statements of activities and changes in net assets under the caption auxiliary enterprises and is derived from providing on-campus lodging and meal plans to students enrolled in academic programs. Auxiliary enterprises revenue was approximately \$11,254,000 and \$11,391,000 at June 30, 2024 and 2023, respectively. Auxiliary activity is recognized over time as the lodging services and meal plans are delivered to enrolled students, because the students simultaneously receive and consume the benefits provided by the University as it satisfies the performance obligation. At the beginning of each academic term, there is a period in which students may withdraw completely. Refunds issued to students reduce the amount of revenue recognized and are recorded as refunds occur and become known. As a component of the comprehensive fee, payments for auxiliary activity are due prior to the start of each academic semester. Payments for auxiliary activities that extend past June 30, 2024 and 2023 are due prior to the start of each academic semester and are recorded as a contract liability on the combined statement of financial position as of June 30, 2024 and 2023.

Contract Balances - Receivables from students, which include amounts derived from the comprehensive fee, are presented on the statements of financial position less an allowance for doubtful accounts on the portfolio basis.

Contract Liabilities - Contract liabilities consist of funds received by the University for tuition, room and board held during the summer term, including student deposits related to credit balances on student receivables. Contract liabilities total approximately \$5,668,000, \$5,275,000, and \$5,481,000 for the years ended June 30, 2024, 2023, and 2022, respectively.

Remaining Performance Obligations - The University applies the practical expedient in FASB ASC 606-10-50-14 and therefore does not disclose further information about remaining performance obligations that have original expected durations of one year or less. Additionally, there was no revenue recognized during either of the years ended June 30, 2024 or 2023, from performance obligations that were satisfied or partially satisfied in prior periods.

SETON HILL UNIVERSITY AND AFFILIATE

NOTES TO COMBINED FINANCIAL STATEMENTS

JUNE 30, 2024 AND 2023

NOTE 2 - REVENUE FROM CONTRACTS WITH CUSTOMERS (Continued)

Significant Judgements - The timing and the satisfaction of performance obligations were determined through careful analysis of the timing of which control of goods or services are transferred to students. Most performance obligations are satisfied over time, as customers simultaneously receive and consume the benefits provided by the University's performance as it satisfies performance obligations. Performance obligations that are recognized over time generally use a pro rata time-based output method, which the University believes depicts the transfer of goods and services to customers. The transaction price is determined through Board-approved tuition and room and board rates.

NOTE 3 - LIQUIDITY AND AVAILABILITY

As of June 30, 2024 and 2023, financial assets and liquidity resources available within one year for general expenditure, such as operating expenses, principal payments on debt and capital construction costs not financed with debt, were as follows:

	<u>2024</u>	<u>2023</u>
Total financial assets:		
Cash and cash equivalents	\$ 25,481	\$ 16,396
Contributions receivable	1,453,665	402,505
Short-term investments	10,641,014	10,647,889
Board-designated endowment funds	20,837,556	17,094,654
Other receivables, net	3,933,689	3,798,645
Promises to give not subject to donor restriction		
Endowment - Spending rate appropriation	<u>2,772,231</u>	<u>2,754,378</u>
Financial Assets Available To Meet Cash Needs For General Expenditures Within One Year	<u>\$ 39,663,636</u>	<u>\$ 34,714,467</u>

The University is substantially supported by restricted contributions. Because a donor's restriction requires resources to be used in a particular manner or in a future period, the University must maintain sufficient resources to meet those responsibilities to its donors, thus financial assets might not be available for general expenditure within one year. As part of the University's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities and other obligations become due. The University invests cash in excess of daily requirements in short-term investments. In addition, the University has a revolving line of credit of \$2,000,000 and a seasonal line of credit of \$1,500,000, of which, collectively, it could draw an additional \$3,500,000 in the event of an unanticipated liquidity need.

NOTE 4 - FAIR VALUE MEASUREMENT

The University follows the ASC topic Fair Value Measurement, which defines fair value, establishes a framework for its measurement and expands disclosures about fair value measurement.

SETON HILL UNIVERSITY AND AFFILIATE  
NOTES TO COMBINED FINANCIAL STATEMENTS  
JUNE 30, 2024 AND 2023

NOTE 4 - FAIR VALUE MEASUREMENT (Continued)

The Fair Value Measurement topic defines fair value 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. The topic requires disclosures that categorize assets and liabilities measured at fair value into three different levels, depending on the assumptions used in the valuation. Level 1 provides the most reliable measure of fair value, while Level 3 generally requires significant judgment by University management. Financial assets and liabilities are classified in their entirety based on the lowest level of input significant to the fair value measurement.

The fair value measurement hierarchy is defined as follows:

Level 1 - Valuations are based on unadjusted quoted prices in an active market for identical assets or liabilities.

Level 2 - Valuations are based on quoted prices for similar assets or liabilities in active markets, or quoted prices in markets that are not active for which significant inputs are observable, either directly or indirectly.

Level 3 - Valuations are based on prices or valuation techniques that require inputs that are both unobservable and significant to the overall fair value measurement. Inputs reflect management's best estimate of what market participants would use in valuing the asset or liability at the measurement date.

The University measures fair value based on actively traded markets where prices are based on either direct market quotes or observed transactions, where available. While the University believes these valuation methods are appropriate and consistent with those used by other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different estimate of fair value. There have been no changes in the methodologies used at June 30, 2024 and 2023.

The availability of observable market data is monitored to assess the appropriate classification of financial instruments within the fair value hierarchy. Changes in economic conditions or model-based valuation techniques might require the transfer of financial instruments from one fair value level to another. In such instances, the transfer is reported at the beginning of the reporting period.

SETON HILL UNIVERSITY AND AFFILIATE

NOTES TO COMBINED FINANCIAL STATEMENTS

JUNE 30, 2024 AND 2023

NOTE 4 - FAIR VALUE MEASUREMENT (Continued)

The valuation of the University's investments by the fair value hierarchy at June 30 is as follows:

2024				
	Level 1	Level 2	Level 3	Total
Fixed-income securities	\$ 13,188,764	-	-	\$ 13,188,764
Equities	34,632,787	-	-	34,632,787
Money market accounts	14,555,778	-	-	14,555,778
Exchange-traded funds	10,621,288	-	-	10,621,288
Life insurance	-	-	\$ 153,943	153,943
Other investments	-	-	186,661	186,661
Total Assets In The Fair Value Hierarchy	<u>\$ 72,998,617</u>	<u>-</u>	<u>\$ 340,604</u>	73,339,221
Investments measured at NAV (a)				<u>1,381,193</u>
Total Investments				<u>\$ 74,720,414</u>

2023				
	Level 1	Level 2	Level 3	Total
Fixed-income securities	\$ 12,029,344	-	-	\$ 12,029,344
Equities	30,852,528	-	-	30,852,528
Money market accounts	14,926,766	-	-	14,926,766
Exchange-traded funds	9,569,474	-	-	9,569,474
Life insurance	-	-	\$ 186,206	186,206
Other investments	-	-	165,904	165,904
Total Assets In The Fair Value Hierarchy	<u>\$ 67,378,112</u>	<u>-</u>	<u>\$ 352,110</u>	67,730,222
Investments measured at NAV (a)				<u>1,673,732</u>
Total Investments				<u>\$ 69,403,954</u>

(a) In accordance with Subtopic 820-10, certain investments that were measured at NAV per share (or its equivalent) have not been classified in the fair value hierarchy. The fair value amounts presented in the tables above are intended to permit reconciliation of the fair value hierarchy to the combined statements of financial position at June 30, 2024 and 2023.

SETON HILL UNIVERSITY AND AFFILIATE

NOTES TO COMBINED FINANCIAL STATEMENTS

JUNE 30, 2024 AND 2023

NOTE 4 - FAIR VALUE MEASUREMENT (Continued)

The changes in investments measured at fair value for which the University has used Level 3 inputs to determine fair value as of June 30 are as follows:

	<u>Life Insurance</u>	<u>Other Investments</u>	<u>Total</u>
Balance, June 30, 2023	\$ 186,206	\$ 165,904	\$ 352,110
Unrealized (loss) gain	<u>(32,263)</u>	<u>20,757</u>	<u>(11,506)</u>
Balance, June 30, 2024	<u>\$ 153,943</u>	<u>\$ 186,661</u>	<u>\$ 340,604</u>

  

	<u>Life Insurance</u>	<u>Other Investments</u>	<u>Total</u>
Balance, June 30, 2022	\$ 173,244	\$ 151,180	\$ 324,424
Unrealized gain	<u>12,962</u>	<u>14,724</u>	<u>27,686</u>
Balance, June 30, 2023	<u>\$ 186,206</u>	<u>\$ 165,904</u>	<u>\$ 352,110</u>

The following redemption table clarifies the nature and risk of the University's investments and liquidity for investments, including alternative investments, measured using net asset value:

<u>Category</u>	<u>Fair Value</u>	<u>Unfunded Commitments</u>	<u>Redemption Frequency</u>	<u>Redemption Notice Period</u>
Private Equity (a)	\$ <u>1,381,193</u>	\$ <u>1,233,185</u>	N/A	N/A

- (a) These funds' investment objectives are to realize long-term total returns by investing in a diversified group of pooled investment vehicles. Strategies to achieve these objectives include buyout strategies, debt strategies, fund of funds strategies, real estate strategies and venture strategies. The funds have terms of 15 years, provided however that the fund manager, in its sole discretion, may elect to extend such term for up to three one-year periods if it believes that such extensions are necessary or desirable in order to effect an orderly liquidation of the funds' investments. The fund manager may, in its sole discretion, elect to terminate the funds prior to the end of such term or any extension period.

SETON HILL UNIVERSITY AND AFFILIATE  
NOTES TO COMBINED FINANCIAL STATEMENTS  
JUNE 30, 2024 AND 2023

NOTE 5 - CONTRIBUTIONS RECEIVABLE

Contributions receivable at June 30 are as follows:

	<u>2024</u>	<u>2023</u>
Contributions receivable	\$ 2,428,409	\$ 1,477,649
Amortized discount	<u>(206,500)</u>	<u>(189,187)</u>
Contributions receivable, net	<u>\$ 2,221,909</u>	<u>\$ 1,288,462</u>
Amounts due in:		
Less than one year	\$ 1,453,664	\$ 402,505
One to five years	<u>768,245</u>	<u>885,957</u>
	<u>\$ 2,221,909</u>	<u>\$ 1,288,462</u>

Contributions are recorded at estimated net present value and are generally restricted in nature. The discount rate utilized was 4.52% and 4.49% for the years ended June 30, 2024 and 2023, respectively.

NOTE 6 - PROPERTY, BUILDINGS AND EQUIPMENT

All building assets, with the exception of land and construction-in-progress, are depreciated on a straight-line basis over their estimated useful lives.

Seton Hill Properties owns the real property under the Performing Arts Center and the Seton Hill Arts Center.

SETON HILL UNIVERSITY AND AFFILIATE  
NOTES TO COMBINED FINANCIAL STATEMENTS  
JUNE 30, 2024 AND 2023

NOTE 6 - PROPERTY, BUILDINGS AND EQUIPMENT (Continued)

Property, buildings and equipment consist of the following at June 30:

	<u>2024</u>	<u>2023</u>	<u>Estimated Useful Life</u>
Seton Hill University:			
Land	\$ 3,332,117	\$ 3,332,117	
Buildings and improvements	130,660,294	130,335,892	40-50 years
Leasehold improvements - land	14,020,415	13,845,633	20 years
Furniture, equipment and library	37,346,822	36,592,828	3-30 years
Construction-in-progress	1,118,511	213,627	
Seton Hill Properties:			
Land	2,408,418	2,408,418	
Buildings and improvements	981,716	981,716	50 years
Leasehold improvements	<u>65,049</u>	<u>65,049</u>	20 years
	189,933,342	187,775,280	
Less - Accumulated depreciation	<u>(78,687,235)</u>	<u>(74,472,542)</u>	
Property, Buildings and Equipment, Net	<u>\$ 111,246,107</u>	<u>\$ 113,302,738</u>	

NOTE 7 - GRANT PROGRAMS

The University participates in Government Student Financial Assistance Programs (Title IV) administered by the Department of Education (ED) for the payment of student tuitions. Substantial portions of the revenue and collection of accounts receivable as of June 30, 2024 and 2023 are dependent on the University's continued participation in Title IV programs. Institutions participating in Title IV programs are required by ED to demonstrate financial responsibility, which is determined through calculation of a composite score based on certain financial ratios as defined in regulations. Those receiving a composite score of 1.5 or greater are considered fully financially responsible. Institutions receiving a composite score less than 1.5 are subject to additional monitoring and may be required to submit financial guarantees in order to continue participation in Title IV programs. As of and for the year ended June 30, 2024, the University's composite score was above 1.5.

Activity of the Federal Pell Grant and Pennsylvania Higher Education Assistance Agency (PHEAA) programs is not reflected in the University's combined financial statements. Students received approximately \$2,621,000 and \$2,179,000 from the Federal Pell Grant and the PHEAA program, respectively, in 2024 and approximately \$2,332,000 and \$2,307,000, respectively, in 2023.



SETON HILL UNIVERSITY AND AFFILIATE  
NOTES TO COMBINED FINANCIAL STATEMENTS  
JUNE 30, 2024 AND 2023

NOTE 8 - BONDS, NOTES AND LEASES PAYABLE

Outstanding balances at June 30 consist of the following:

	<u>2024</u>	<u>2023</u>
Revenue Bonds, Series 2021 (including unamortized premium of \$3,328,175 and \$3,420,340 in 2024 and 2023, respectively)	\$ 44,623,175	\$ 45,485,339
Finance leases liabilities	1,303,692	1,728,758
Operating lease liabilities	<u>1,417,644</u>	<u>1,680,089</u>
Total	47,344,511	48,894,186
Less - Unamortized loan origination fees	<u>(342,246)</u>	<u>(342,245)</u>
	<u>\$ 47,002,265</u>	<u>\$ 48,551,941</u>

The University is subject to certain nonfinancial and reporting covenants.

In April 2021, the Series 2021 Revenue Bonds were issued through the Latrobe Industrial Development Authority (LIDA) for a total amount of \$42,065,000 with the purpose of refinancing all of the outstanding notes held by the University and various capital improvement projects at the University. The Series 2021 Revenue Bonds require semiannual interest payments at fixed interest rates ranging from 4% to 5% and have maturity dates from March 2024 with final payment due March 2051.

Through April 2021, the University held various Series A notes to LIDA and the Westmoreland Industrial Development Authority and an Installment Sale note and Campus Acquisition term note to the Sisters of Charity to finance various capital improvement projects and the purchase of campus property. The notes incurred interest at rates ranging from 2.899% to 4.099%, with principal and interest payments due monthly. In April 2021, the total outstanding principal balances of the notes were refinanced through the Series 2021 Revenue Bonds transaction and were considered to be paid in full. In the year ended June 30, 2023, the University incurred a loss on debt extinguishment of approximately \$293,000 due to the write-out of unamortized loan origination fees related to these notes, which is included within depreciation and amortization expense on the combined statements of functional expenses.

Interest expense incurred on long-term debt obligations was approximately \$1,700,000 and \$1,530,000 for the years ended June 30, 2024 and 2023, respectively. Amortization of the bond premium totaled approximately \$92,000 and 143,000 for the years ended June 30, 2024 and 2023, respectively.

The University has entered into a master lease agreement with Insight Investments for the acquisition of iPads and MacBook computers to be distributed to students as part of the Griffin Technology Program. The master lease agreement allows the University to enter into lease terms as the equipment is needed by the University under the program. Leases entered into during the years ended June 30, 2024 and 2023 were written with two-year separate payment schedules, respectively, based on the estimated time period remaining in each student cohort's career at the University.

The cost of ROU assets held under finance lease obligations approximated \$3,933,000 and \$4,112,000, with accumulated depreciation approximating \$3,073,000 and \$3,112,000, as of June 30, 2024 and 2023, respectively. These obligations have a weighted-average remaining lease term of 2.2 years and 1.5 years and a discount rate of 5.9% and 2.4% for the years ended June 30, 2024 and 2023, respectively.

SETON HILL UNIVERSITY AND AFFILIATE

NOTES TO COMBINED FINANCIAL STATEMENTS

JUNE 30, 2024 AND 2023

NOTE 8 - BONDS, NOTES AND LEASES PAYABLE (Continued)

Scheduled maturities on notes, bonds and leases payables are as follows:

Fiscal Year Ending June 30	Bonds and Notes	Finance Leases	Operating Leases	Total
2025	\$ 810,000	\$ 615,898	\$ 315,658	\$ 1,741,556
2026	850,000	552,551	315,658	1,718,169
2027	890,000	253,698	315,658	1,459,356
2028	935,000	10,032	315,658	1,260,690
2029	985,000	-	289,354	1,274,354
Thereafter	36,825,000	-	-	36,825,000
	41,295,000	1,432,139	1,551,986	44,279,125
Add - Unamortized bond premium	3,328,175	-		3,328,175
Less - Amount representing interest	-	(128,447)	(134,342)	(262,789)
	<u>\$ 44,623,175</u>	<u>\$ 1,303,692</u>	<u>\$ 1,417,644</u>	47,344,511
Less - Unamortized loan origination fees				<u>(342,246)</u>
				<u>\$ 47,002,265</u>

The University has an unsecured revolving line-of-credit agreement in the amount of \$2,000,000 with a seasonal increase of \$1,500,000 for the period of (a) January 1 through February 15; (b) June 15 through September 15; and (c) November 15 through December 31 of each year. Interest is based on the one-month Bloomberg Short-Term Bank Index, plus 150 basis points. Interest is payable monthly with principal due and payable on demand. There was no outstanding balance as of June 30, 2024 and 2023.

The revenue bond agreements contain certain financial covenants, the most restrictive of which requires the University to establish and maintain minimum annual debt service coverage of at least 1.10 to be calculated on the last day of the University's fiscal year. The University was in compliance with all covenants as of June 30, 2024 and 2023.

SETON HILL UNIVERSITY AND AFFILIATE  
NOTES TO COMBINED FINANCIAL STATEMENTS  
JUNE 30, 2024 AND 2023

NOTE 8 - BONDS, NOTES AND LEASES PAYABLE (Continued)

The following tables present lease costs for amounts included in the measurement of lease liabilities for the year ended June 30, 2024:

Lease Cost	
Finance lease cost	
Amortization of ROU assets	\$ 674,042
Interest on lease liabilities	99,587
Total finance lease cost	<u>773,629</u>
Operating lease cost	<u>413,890</u>
Total lease cost	<u>\$ 1,187,519</u>

The University leases a facility for the orthodontic program, which has a lease term through May 31, 2029. The lease provides for two options to renew for a period of five years each following expiration of the initial lease term. The University has already exercised its option to renew for the first five-year term. Remaining ROU asset, net of accumulated depreciation of \$779,000 and \$518,000, approximated \$1,416,000 and \$1,678,000 at June 30, 2024 and 2023, respectively. Remaining operating lease liability approximated \$1,418,000 and \$1,680,000 at June 30, 2024 and 2023, respectively. This obligation has a weighted-average remaining lease term of five years and seven years at June 30, 2024 and 2023, respectively, and a discount rate of 3.4% for both years noted.

NOTE 9 - ENDOWMENT

Interpretation of Relevant Law - The Board has elected to adopt the Act 141 total return provision that allows a nonprofit to choose to treat a percentage of the average market value of the endowment's investments as income each year, however the long-term preservation of the real value of the assets must be taken into consideration when the Board elects the amount. On an annual basis, the Board, in writing, must elect a spending rate of between 2% and 7%. The University applies this percentage to the average market value of the investments at the end of the prior year. Average market value is based on a minimum three previous years' market value. The University used a spending rate of 7% for the years ended June 30, 2023 and 2022.

The University classifies as net assets with donor restrictions the original value of gifts donated to the endowment and the original value of subsequent gifts to the endowment. Undistributed amounts earned are included in net assets with donor restrictions. Amounts released from restriction as provided under Act 141 are classified as net assets without donor restrictions. In accordance with Act 141, the University has adopted a written investment policy, of which a section specifically relates to the endowment fund.

The University considers the following factors in making a determination to set a spending rate:

1. Protecting the corpus of the endowment fund.
2. Preserving the spending power of the assets.
3. Obtaining maximum investment return with reasonable risk and operational consideration.
4. Complying with applicable laws.
5. Providing flexibility through the availability of the Board-designated funds.

SETON HILL UNIVERSITY AND AFFILIATE  
NOTES TO COMBINED FINANCIAL STATEMENTS  
JUNE 30, 2024 AND 2023

NOTE 9 – ENDOWMENT (Continued)

The University's endowment funds, as of June 30, respectively, are composed of the following net assets:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
June 30, 2024	\$ <u>20,837,556</u>	\$ <u>42,078,096</u>	\$ <u>62,915,652</u>
June 30, 2023	\$ <u>17,094,654</u>	\$ <u>39,227,059</u>	\$ <u>56,321,713</u>

Change in donor-restricted and Board-designated endowment funds by net asset type for the years ended June 30 is as follows:

	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Endowment assets June 30, 2022	\$ 13,804,807	\$ 36,771,040	\$ 50,575,847
Additions (deductions) and investment activity:			
Contributions	-	2,635,779	2,635,779
Investment return, net	885,276	3,470,756	4,356,032
Reductions:			
Appropriation of endowment pursuant to spending rate policy	1,936,020	(1,936,020)	-
Other transfers	468,551	(468,551)	-
Distribution of endowment for expenditure	<u>-</u>	<u>(1,245,945)</u>	<u>(1,245,945)</u>
Endowment assets June 30, 2023	\$ 17,094,654	\$ 39,227,059	\$ 56,321,713
Additions (deductions) and investment activity:			
Contributions	-	1,416,460	1,416,460
Investment return, net	1,538,370	4,936,795	6,475,165
Reductions:			
Appropriation of endowment pursuant to spending rate policy	2,204,532	(2,204,532)	-
Distribution of endowment for expenditure	<u>-</u>	<u>(1,297,686)</u>	<u>(1,297,686)</u>
Endowment assets June 30, 2024	\$ <u>20,837,556</u>	\$ <u>42,078,096</u>	\$ <u>62,915,652</u>

Other Transfers - This release entry is to adjust for corrected distribution of endowment for expenditures relating to a prior fiscal year.

SETON HILL UNIVERSITY AND AFFILIATE

NOTES TO COMBINED FINANCIAL STATEMENTS

JUNE 30, 2024 AND 2023

NOTE 9 - ENDOWMENT (Continued)

Return Objectives and Risk Parameter - The University's primary investment objective of the endowment is to preserve and, over time, increase the inflation-adjusted value of the investable assets of the institution. The second investment objective is to maximize, over the long-run, the total rate of return on investable assets while assuming a level of risk consistent with prudent investment practices for such funds. All funds are subject to the same level of prudence in policy and procedure.

The primary objective of the short-term operating funds is to maintain a high degree of liquidity to meet short-term cash requirements or to fund capital projects.

Appropriate investment performance indices are established against which to measure and evaluate actual returns of the various financial assets of the University. These specific targets are pursued while strictly adhering to all statutory and institutional guidelines. Actual investment returns and the performance of each investment are measured against specific relative indices for each of the investment pools.

Strategies Employed for Achieving Objectives - It is the policy of the University to protect and grow the value of its investment assets. The University, therefore, attempts to minimize all risks inherent to the investment process through proper diversification. The asset allocation and spending policies seek to produce a net, inflation-adjusted, positive return after spending. The asset allocation policy is consistent with the investment objectives of the endowment and is based on the capital market assumptions listed below.

The target asset allocation for the main endowment portfolios is 70% equity and 30% fixed income, with a variation of 10% above or below these targets for each classification. Changes in the variation around the target allocations are made by the asset manager in consultation with the investment manager.

Spending Policy - It is the general intent and policy of the University to promote the internal growth of its endowment assets in such a manner that the potential income that can be generated from the increased size of the portfolio would represent a significant contribution to the University's fiscal well-being. This internal portfolio growth is reinforced whenever possible by the appropriate reinvestment of income and capital gains.

Within this general intent, the University has adopted a total return policy for the endowment assets and is electing to adopt it under Act 141 as it is incorporated in Title 15 and 5548 of the Pennsylvania Consolidated Statutes Annotated. It has been the general policy of the University under Act 141 to treat a range of 2% to 7% of the fair market value of the endowment assets as income each year. The University used a spending rate of 7% for the years ended June 30, 2023 and 2022.

In no way is this general policy meant to unduly deplete portfolio assets or to impair the preservation of the purchasing power of the invested funds. To protect against such asset depletion, it is the responsibility of the Board to annually review and adjust the policy to fit current budgetary conditions, actual returns of the portfolio and the needs of the University. Currently, the University will not draw down on an endowment fund if the draw will cause the market value of the fund to drop below the corpus value.

Deficiency in Donor - Restricted Endowment Funds - From time to time, the fair value of assets associated with an endowed fund may fall below the level that a donor requires or the governing board has determined is appropriate. There were no endowment funds with the fair value below corpus at June 30, 2024 and 2023.

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NOTE 10 - NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions are restricted for the following purposes:

	<u>2024</u>	<u>2023</u>
Subject to expenditure for specified purpose:		
Restricted loan funds	\$ 396,925	\$ 400,568
Funds available for scholarships and other programs	6,675,945	6,435,728
Promises to give, the proceeds from which have been restricted by donors for:		
Building projects	1,185,113	162,986
Scholarships	55,103	32,012
Field renovation	13,155	22,729
Other programs	40,994	43,219
	<u>8,367,235</u>	<u>7,097,242</u>
Endowments:		
Subject to the University's endowment spending policy and appropriation:		
Scholarships	28,948,277	27,824,842
Any activities of the organization	13,129,819	11,402,417
	<u>42,078,096</u>	<u>39,227,059</u>
	<u>\$ 50,445,331</u>	<u>\$ 46,324,301</u>

Net assets were released from donor restrictions by incurring expenses satisfying the following purpose or by other events specified by donors as follows:

	<u>2024</u>	<u>2023</u>
Satisfaction of purpose restrictions:		
Student aid	\$ 2,571,920	\$ 1,579,634
Institutional support	372,899	993,432
Instruction	929,803	324,333
Student services	414,656	666,749
Operations and maintenance	116,821	84,179
Auxiliary enterprises	-	-
Academic support	32,457	35,177
Public service	6,576	3,748
	<u>4,445,132</u>	<u>3,687,252</u>
Release of appropriated endowment amounts with purpose restrictions:		
Student aid	<u>2,204,532</u>	<u>2,404,572</u>
	<u>\$ 6,649,664</u>	<u>\$ 6,091,824</u>

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NOTE 11 - FUNCTIONAL EXPENSES

Expenses are summarized and categorized based on their functional classification as either program or supporting services. Specific expenses that are readily identifiable to a single program or activity are charged directly to that function. Certain categories of expenses are attributable to more than one program or supporting function, therefore these expenses require allocation on a reasonable basis that is consistently applied. Expenses that are allocated include depreciation and amortization, interest and insurance, which are allocated on a square-footage basis, as well as salaries, wages and employee benefits, which are allocated on the basis of estimates of time and effort.

NOTE 12 - RETIREMENT PLANS

The University sponsors a defined contribution plan for which substantially all full-time employees are eligible to participate through the Teachers Insurance and Annuity Association. The University matches employee contributions from 3% - 8% of an employee's base compensation and annually funds the retirement expense, which amount to approximately \$1,447,000 and \$1,370,000 for the years ended June 30, 2024 and 2023, respectively. Additionally, the University has a 457(b) Plan that covers certain employees of the University.

NOTE 13 - PRIVATE COLLEGE AND UNIVERSITY CONSORTIUM

The University participates in a Private College and University Consortium (Consortium) with other area colleges and universities. The Consortium was formed to share experience and assist in obtaining rates and fees that are more favorable for healthcare insurance than the members could secure independently. The members established a trust that collects premiums paid by the members, pays healthcare claims and premiums and holds any remaining net assets. The total premium paid by members of the Consortium is based on current enrollment and rating class. Each member's share of the total premium is based on the type of coverage and the individual medical claim-loss ratio for each member as compared to other members of the group. The Consortium has established stop-loss coverage at \$275,000 per individual occurrence to protect against catastrophic losses. The University paid premiums under the arrangement in the amount of approximately \$4,515,000 and \$4,530,000 for the years ended June 30, 2024 and 2023, respectively. At June 30, 2024 and 2023, the Consortium has assets in excess of claims paid and estimated liabilities, of which the University's share approximated \$745,000 and \$968,000, respectively, which is recorded in prepaid expenses and other assets on the combined statements of financial position.

NOTE 14 - LECOM AGREEMENT

In June 2008, the University entered into a lease agreement with Lake Erie College of Osteopathic Medicine (LECOM) wherein the University agreed to lease space to LECOM for the operation of a satellite campus for its osteopathic medicine and pharmacy programs through June 30, 2028 with renewal options thereafter. The lease agreement sets forth annual rentals to be based on a percentage of LECOM's tuition revenue. Revenues resulting from rental income for the years ended June 30, 2024 and 2023 were approximately \$2,451,000 and \$2,342,000, respectively, and are recorded in other income in the combined statements of activities and changes in net assets.

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NOTE 15 - COMMITMENTS AND CONTINGENCIES

The University is subject to a number of asserted and unasserted potential claims arising out of the normal conduct of its business. In the opinion of the administration, based on discussion with counsel, the ultimate outcome of these matters will not have a material adverse effect on the combined financial position of the University.

The University participates in federal and state-funded programs that are subject to examination by the appropriate governmental authorities, in accordance with terms of the grant contracts. The governmental authorities are authorized to review actual expenditures and to make necessary adjustments in subsequent reimbursements or request refunds of grant amounts, if warranted. As of June 30, 2024 and 2023, no federal or state agencies have requested refunds that would require adjustment to the combined financial statements.

NOTE 16 - RELATED PARTIES

Members of the board of trustees, officers and employees are subject to the University's written conflict of interest policy that requires annual disclosures from members of the Board, senior management and other designated employees of any actual or potential conflicts of interest, including business employment relationships or significant financial interest in businesses with which the University conducts business. Additionally, certain gifts and pledges to the University are received annually by Board members. All such business activity is conducted in accordance with the University's normal business practices. No such relationships have been identified that are considered material to the combined financial statement and require disclosure in accordance with U.S. GAAP.