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The University of Scranton

Financial Statements

May 31, 2024 and 2023

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Independent Auditors' Report

To the Board of Trustees of
The University of Scranton

Opinion

We have audited the financial statements of the University of Scranton (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.

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 accounting principles generally accepted in the United States of America, and for the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of 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
September 26, 2024

The University of Scranton

Statements of Financial Position
May 31, 2024 and 2023

	2024	2023
Assets		
Cash and cash equivalents	$ 10,753,263	$ 13,291,353
Student accounts receivable, net	5,634,649	6,304,849
Other accounts receivable	4,914,050	2,270,286
Contributions receivable, net	4,966,181	4,028,294
Student loans receivable, net	632,048	901,734
Prepaid expenses and other assets	5,782,804	5,471,393
Investments	352,523,593	329,101,800
Land, buildings and equipment, net	259,382,186	260,364,539
Right-of-use assets	3,136,863	3,428,033
Total assets	$ 647,725,637	$ 625,162,281
Liabilities and Net Assets		
Liabilities		
Accounts payable	$ 6,232,841	$ 7,767,017
Accrued expenses	7,062,525	5,574,307
Accrued employee benefits	9,822,607	10,547,663
Deposits and deferred income	8,346,150	8,748,744
Split-interest agreements	1,604,433	1,480,133
Federal student loan funds	449,163	716,476
Finance lease liability	619,496	542,488
Operating lease liability	2,771,664	3,134,175
Long-term debt, net	130,680,821	136,179,965
Accrued postretirement benefits	2,216,885	2,352,259
Total liabilities	169,806,585	177,043,227
Net Assets		
Without donor restrictions	263,289,082	258,737,910
With donor restrictions	214,629,970	189,381,144
Total net assets	477,919,052	448,119,054
Total liabilities and net assets	$ 647,725,637	$ 625,162,281

See notes to financial statements

The University of Scranton

Statements of Activities
Years Ended May 31, 2024 and 2023

	2024			2023		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
Operating Revenues						
Tuition and fees, net of student aid of $105,584,062 in 2024 and $96,661,761 in 2023	$ 100,555,275	$ -	$ 100,555,275	$ 99,451,019	$ -	$ 99,451,019
Federal grants and contracts	6,776,469	-	6,776,469	3,173,879	-	3,173,879
State grants and contracts	2,378,106	-	2,378,106	917,866	-	917,866
Private gifts, grants and contracts	4,101,392	3,460,714	7,562,106	3,854,595	1,876,550	5,731,145
Endowment income designated for current operations	5,325,985	8,910,291	14,236,276	4,116,704	7,362,656	11,479,360
Investment income	1,654,132	-	1,654,132	1,060,077	-	1,060,077
Auxiliary enterprises	39,353,635	-	39,353,635	37,060,178	-	37,060,178
Other	3,534,021	-	3,534,021	3,339,578	-	3,339,578
Net assets released from restrictions	5,734,327	(5,734,327)	-	5,856,584	(5,856,584)	-
Total operating revenues	169,413,342	6,636,678	176,050,020	158,830,480	3,382,622	162,213,102
Operating Expenses						
Instruction	69,228,873	-	69,228,873	67,189,563	-	67,189,563
Research	1,237,711	-	1,237,711	1,066,089	-	1,066,089
Public service	2,109,698	-	2,109,698	1,885,755	-	1,885,755
Academic support	8,211,533	-	8,211,533	7,490,605	-	7,490,605
Library	6,784,693	-	6,784,693	6,252,231	-	6,252,231
Student services and activities	21,874,356	-	21,874,356	20,547,417	-	20,547,417
Institutional support	30,631,849	-	30,631,849	24,107,028	-	24,107,028
Auxiliary enterprises	34,758,281	-	34,758,281	32,943,707	-	32,943,707
Total operating expenses	174,836,994	-	174,836,994	161,482,395	-	161,482,395
Change in net assets from operating activities	(5,423,652)	6,636,678	1,213,026	(2,651,915)	3,382,622	730,707
Nonoperating Activities						
Private gifts and grants	500	3,040,114	3,040,614	15,750	4,075,578	4,091,328
Net realized and unrealized gains (losses) on investments	1,599,466	-	1,599,466	(757,093)	-	(757,093)
Total return of endowment pool less amounts designated for current operations	8,379,146	15,387,539	23,766,685	(3,780,721)	(6,625,785)	(10,406,506)
Loss on disposal of buildings and equipment	(7,730)	-	(7,730)	-	-	-
Change in value of split-interest liabilities	-	187,937	187,937	-	(56,167)	(56,167)
Other	3,442	(3,442)	-	73,761	(73,761)	-
Change in net assets from nonoperating activities	9,974,824	18,612,148	28,586,972	(4,448,303)	(2,680,135)	(7,128,438)
Total change in net assets	4,551,172	25,248,826	29,799,998	(7,100,218)	702,487	(6,397,731)
Net Assets, Beginning	258,737,910	189,381,144	448,119,054	265,838,128	188,678,657	454,516,785
Net Assets, Ending	$ 263,289,082	$ 214,629,970	$ 477,919,052	$ 258,737,910	$ 189,381,144	$ 448,119,054

See notes to financial statements

The University of Scranton

Statements of Cash Flows
Years Ended May 31, 2024 and 2023

	2024	2023
Cash Flows From Operating Activities		
Change in net assets	$ 29,799,998	$ (6,397,731)
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:		
Contributions restricted for long-term investments	(3,040,614)	(4,091,329)
Provision for doubtful accounts	340,668	363,528
Depreciation and amortization	13,174,353	13,213,671
Amortization of bond premium and deferred charges, net	(459,144)	(459,144)
Loss on disposal of buildings and equipment	7,730	-
Net realized and unrealized (gains) losses on investments	(37,432,611)	1,961,929
Changes in assets and liabilities:		
Student accounts receivable, net	272,712	(827,396)
Other accounts receivable	(2,643,764)	2,925,110
Contributions receivable, net	(954,554)	(483,463)
Prepaid expenses and other assets	314,838	(344,753)
Accounts payable	(2,802,263)	1,365,750
Accrued expenses and employee benefits	763,162	(3,089,302)
Deposits and deferred income	(402,594)	(690,673)
Split-interest agreements	124,300	(197,921)
Accrued postretirement benefit	(135,374)	(1,099,003)
Net cash (used in) provided by operating activities	(3,073,157)	2,149,273
Cash Flows From Investing Activities		
Purchases of investments	(89,926,713)	(136,353,172)
Proceeds from sales of investments	103,311,283	143,118,793
Purchases of land, buildings and equipment	(10,737,719)	(7,869,120)
Student loans receivable:		
Collection of student loans	266,704	278,089
Write off and cancellations of student loans	76,470	5,434
Net cash provided by (used in) investing activities	2,990,025	(819,976)
Cash Flows From Financing Activities		
Contributions restricted for long-term investments	3,040,614	4,091,329
Payments on long-term debt	(5,040,000)	(4,780,000)
Principal payments under finance lease liability	(188,259)	(188,668)
Refundable student loans	(267,313)	(398,965)
Net cash used in financing activities	(2,454,958)	(1,276,304)
Net (decrease) increase in cash and cash equivalents	(2,538,090)	52,993
Cash and Cash Equivalents, Beginning	13,291,353	13,238,360
Cash and Cash Equivalents, Ending	$ 10,753,263	$ 13,291,353

See notes to financial statements

1. Organization

The University of Scranton (the University) is a private, coeducational, independent, comprehensive university. The University's 58-acre campus is located in northeastern Pennsylvania in the City of Scranton. It is incorporated as a Pennsylvania nonprofit corporation.

The University is committed to providing a full range of undergraduate and graduate programs in the arts, sciences, business, education and health professions. All of its programs share a commitment to the Jesuit ideal of serving men and women of diverse religious, ethnic, cultural, social and economic backgrounds. The University offers 70 major programs for undergraduate students, Master's degrees in 34 programs and 4 Doctoral degrees in Physical Therapy, Nursing Practice, Nurse Anesthesia and Business Administration. Programs for supervision, superintendent's letter of eligibility and teacher's certification are also available.

2. Significant Accounting Policies

Basis of Presentation

The University's financial statements are presented in accordance with accounting principles generally accepted in the United States of America (U.S. GAAP) on an accrual basis. Resources are reported in two separate categories of net assets based on the existence or absence of donor-imposed restrictions.

In the accompanying financial statements, net assets that have similar characteristics have been combined into categories as follows (see Note 13):

Net Assets Without Donor Restrictions - Net assets that are not subject to donor-imposed stipulations. Net assets without donor restrictions may be designated for specific purposes by action of the Board of Trustees or may otherwise be limited by contractual agreements with outside parties.

Net Assets With Donor Restrictions - Net assets whose use by the University is subject to donor-imposed stipulations that can be fulfilled by actions of the University pursuant to those stipulations or that expire by the passage of time are reported as net assets with donor restrictions. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, these net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions. Additionally, funds received as gifts and bequests which have been accepted with the donor stipulation that the principal be maintained intact in perpetuity are reported as net assets with donor restrictions.

Net assets which have no donor-stipulated restrictions, as well as contributions for which donors have stipulated restrictions which are met within the same reporting period, are reported as net assets without donor restrictions when the restriction is met. Gifts of long-lived assets and gifts of cash restricted for the acquisition of long-lived assets are recognized as revenue when the assets are placed in service.

Statements of Cash Flows

Cash and cash equivalents consist of money market accounts and certificates of deposit with original maturity dates less than three months.

Noncash investing and financing activities include $1,260,636 and $390,538 of land, buildings and equipment additions financed through accounts payable at May 31, 2024 and 2023, respectively. The University also recognized lease right-of-use (ROU) assets and corresponding liabilities of $273,270 and $148,567 in 2024 and 2023, respectively. Noncash changes in the measurement of operating lease ROU assets and corresponding liabilities were $363,064 and $348,008 in 2024 and 2023, respectively.

During 2022, the University capitalized to land $1,041,952 consisting of donated property and related demolition costs. Of this amount, $183,613 represents satisfaction of an existing donor pledge.

Cash paid for interest was $4,371,225 in 2024 and $4,853,168 in 2023. No interest was capitalized in 2024 and 2023.

Concentration of Credit Risk

The University's financial instruments that are exposed to concentrations of credit risk consist primarily of cash and cash equivalents and investments. These funds are held in various high-quality financial institutions and are managed by University personnel and outside advisors. The University maintains its cash and cash equivalents in financial institutions at levels that typically exceed federally insured limits. The University believes that the concentrations of credit risk are reasonable for its cash and cash equivalents and investments.

Student Accounts Receivable, Net

Accounts receivable include all current accounts receivable related to student transactions. Student accounts receivable are reported at the net amount expected to be collected.

Contributions and Contributions Receivable, Net

Conditional promises to give are not recorded in the financial statements until the condition is substantially met. The University received approximately $16,690,000 and $1,582,000 in conditional promises to give in the years ended May 31, 2024 and 2023, respectively. Unconditional promises are reported as contributions receivable and reported as net assets with donor restrictions. Amounts due are recorded at the net present value of future cash flows using a discount rate adjusted for market conditions to arrive at fair value (Note 4). Contributions receivable are reduced by an allowance for doubtful amounts.

Gifts of land, building, equipment and cash or other assets that must be used to acquire long-lived assets (collectively, long-lived assets) are reported as net assets without donor restrictions unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used are reported as net assets with donor restrictions.

Private grants and contracts are recognized in the period received and are reported as increases in the appropriate category of net assets. Conditional or contingent grants are not recorded as revenue until the conditions on which they depend have been substantially met.

Student Loans Receivable, Net

Student loans receivable consist primarily of loans made to students under U.S. government loan programs. The loans are stated at the net amount expected to be collected in the accompanying financial statements. It is not practicable to estimate the fair value of these receivables since they contain federally mandated interest rates and repayment terms subject to significant restrictions as to their transfer and disposition. Under the Perkins and Nursing Student Loan Programs, the University may re-loan such funds after collection, but in the event that the University no longer participates in the programs, the amounts are refundable to the federal government. The potential refundable portion of these funds are reported as federal student loan funds in the statements of financial position.

The Federal Perkins Loan Program expired on September 30, 2017 and the University is not allowed to disburse Perkins loans to any student on or after October 1, 2017, except for subsequent disbursements of loans first disbursed between June 30, 2017 and September 30, 2017. The University continues to service the outstanding loans and remit the federal share to the Department of Education.

Allowance for Credit Losses

The University recognizes an allowance for credit losses for its receivables arising from reciprocal transactions to present the net amount expected to be collected as of the statements of financial position date. Such allowance is based on the credit losses expected to arise over the life of the asset which includes consideration of past events and historical loss experience, current events and also future events. The University pools these receivables based on similar risk characteristics in estimating expected credit losses. In situations where a receivable does not share the same risk characteristics with other receivables, the University measures those receivables individually. Receivables are written off when the University determines that such receivables are deemed uncollectible.

The University utilizes the loss rate method in determining its lifetime expected credit losses on 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. Qualitative and quantitative adjustments related to current conditions and the reasonable and supportable forecast period consider all the following: past due receivables, payor type, customer 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. The allowance for credit losses on student accounts and student loans receivables was $1,902,074 and $85,524 as of May 31, 2024, respectively. As of May 31, 2023, prior to the adoption of Accounting Standards Update (ASU) No. 2016-13, an allowance for doubtful accounts for such student accounts and student loans receivables of $1,504,586 and $159,011, respectively, was recorded.

Allowance for Doubtful Accounts

The University also recognizes an allowance for doubtful accounts for receivables arising from nonreciprocal revenue. Management specifically analyzes historical bad debts, ability and intent to pay, current funding trends and changes in payment terms and rates when evaluating the adequacy of the allowance for doubtful accounts. The allowance for doubtful accounts on contributions receivable was $55,417 and $38,750 as of May 31, 2024 and 2023, respectively.

Deferred Financing Costs and Bond Premiums

Costs incurred in connection with debt financing and bond premiums are deferred and are amortized over the period the obligation is outstanding using the straight-line method which approximates the effective interest rate method. Deferred financing costs and bond premiums are shown net of long-debt in the statements of financial position.

Investments

Investments are stated at fair value. The fair value of equity securities with readily determinable fair values is based on quotations obtained from national securities exchanges. Debt securities are generally based on matrix pricing which relies on the security's relationship to various benchmark inputs. Alternative investments and certain institutional funds, which are not readily marketable, are carried at their net asset value (NAV) per share, as a practical expedient, as provided by the investment managers. The NAV is based on the fair value of the underlying investments held by the fund less its liabilities. This practical expedient is not used when it is determined to be probable that the fund will sell the investment for an amount different than the reported NAV. The University reviews and evaluates the fair values provided by the investment managers and agrees with the valuation methods and assumptions used in determining the fair value of the alternative investments.

The University believes the carrying amount of these alternative investments is a reasonable estimate of fair value. Because certain alternative investments are not readily marketable, their estimated fair value is subject to uncertainty, and therefore, may differ from the fair value that would have been used had a ready market for such investments existed. These instruments may contain elements of both credit risk and market risk (see Note 11).

Unrealized gains and losses arising from increases or decreases in fair value are recognized in the period in which they occur. Realized gains and losses on the sale of investments are determined on the specific identification method on the trade date. Investments acquired through gifts are recorded at fair value at the date of the gift. Dividend and interest income are accrued as earned.

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

- As increases in net assets without donor restrictions for Board-designated endowment funds;
- As increases in net assets with donor restrictions if the terms of the gift that gave rise to the investment require that they be added to the principal of a permanent endowment fund;
- As increases in net assets with donor restrictions in all other cases.

Land, Buildings and Equipment, Net

Land, buildings and equipment are stated at cost at date of purchase or fair value at date of donation in the case of gifts. The University capitalizes all major purchases of land, building and equipment. Assets are depreciated using the straight-line method over 20 years for land improvements, 30 to 40 years for buildings and 3 to 10 years for equipment. Maintenance and repairs are recorded as expenses when incurred. As property and equipment are sold or otherwise disposed of, the asset account and related accumulated depreciation are relieved and any gain or loss is reported in the statements of activities. Interest costs during periods of construction are capitalized.

Leases

Accounting Standard Codification (ASC) Topic 842, *Leases*, requires lessees to recognize the assets and liabilities that arise from leases on the statement of financial position. At lease inception, leases are classified as either finance leases or operating leases with the associated right-of-use asset and lease liability measured at the net present value of future lease payments. Operating leases are expensed on a straight-line basis as lease expense over the noncancelable lease term. Expenses for finance leases are comprised of the amortization of the right-of-use asset and interest expense recognized based on the effective interest method.

The standard also provides for several accounting policy elections, as follows:

- The University has elected the policy not to separate lease and nonlease components for all asset classes;

- When the rate implicit in the lease is not determinable, 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;

- The University elected not to apply the recognition requirements to all leases with an original term of 12 months or less, for which the University is not likely to exercise a renewal option or purchase the asset at the end of the lease; rather, short-term leases will continue to be recorded on a straight-line basis over the lease term.

Additional required disclosures for Topic 842 are contained in Note 15.

Impairment of Long-Lived Assets

The University reviews long-lived assets when circumstances indicate that the carrying amount of an asset may not be recoverable. If an asset is considered impaired, its fair value is written down with a corresponding charge to the change in net assets without donor restrictions from operating activities.

Revenue Recognition

Deposits and Deferred Income

Tuition, fees, residential and dining revenue is recognized over the academic year as services are provided. Funds received in advance of services provided, as well as student deposits, are included in deferred income. Deferred income from grants and other agreements is earned in the period in which the related services or activities are performed (see Note 7).

Tuition and Fees, Net of Student Aid

Tuition and fee revenues are recognized in the fiscal year in which the academic programs are delivered, i.e., when the performance obligation is satisfied. Generally, the performance obligations are satisfied equally over the academic terms. Tuition and fee revenues are reported net of University-provided student aid. The University determines the transaction price based on standard charges for goods and services reduced by discounts relating to institutional scholarships and student aid in accordance with the University's policies. The University maintains an institutional tuition refund policy, which provides for all or a portion of tuition to be refunded if a student withdraws during stated refund periods. These periods vary by term. The Fall, Intersession and Spring terms begin and end within the University's fiscal year. Billing for the Fall term occurs in July, while billing for Intersession and Spring terms occur in December. Since all services and performance obligations are satisfied during the University's fiscal year, the revenue is appropriately reflected for these terms in the statements of financial position, activities and cash flows. The University's Summer terms begin, and are billed, prior to the end of the fiscal year and conclude in the subsequent fiscal year. The University defers all revenue for all Summer terms at the time of billing and recognizes the revenue in the subsequent fiscal year. At the end of each fiscal year, management performs an analysis of the Summer term revenue that would have been recorded in the current fiscal year had the revenue been recognized pro-rata over the period of instruction.

Auxiliary Enterprises and Other Revenues

The University also provides auxiliary services, such as residential and dining services. Revenue from these services is recognized in the fiscal year in which the goods and services are provided. Students that withdraw from the University during stated refund periods may receive a partial refund in accordance with the University's refund policy. Refunds issued reduce the amount of revenue recognized.

Revenues from other supporting services, including conferences and Early Learning Center, are recorded at the time of delivery. Amounts received in advance of delivery of services are recorded as deferred revenue.

Other revenues include income generated primarily from athletic activities and rebates and commissions from significant vendor contracts. Amounts are recorded at the time of transaction. Amounts earned but not received by fiscal year-end are accrued and included in student accounts receivable, net and other accounts receivable.

Postretirement Benefits

The University recognizes the funded status of its defined benefit postretirement plans as a net asset or liability and recognizes changes in that funded status in the year in which the changes occur through the statements of activities to the extent those changes are not included in the net periodic cost. The funded status reported on the statements of financial position is measured as the difference between the fair value of plan assets and the benefit obligation. The University funds its postretirement benefits to the extent of benefits paid on a pay-as-you-go basis.

Use of Estimates

The preparation of financial statements 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 periods.

Significant management estimates and assumptions relate to the determination of allowances for doubtful accounts for accounts receivable, student loans receivable and contributions receivable and bequests in probate; valuation of investments without a readily determinable fair value; useful lives of fixed assets; actuarial estimates for the University's accrued postretirement benefits and annuities payable; the allocation of expenses from natural to functional classifications; and the reported fair value of certain other assets and liabilities. Actual results could differ from those estimates.

Allocation of Certain Expenses

The statements of activities present expenses by functional classification. Depreciation and operation and maintenance of plant are allocated to the functional classifications based on square footage. Interest expense is allocated to the functional classifications which benefited from the proceeds of the related debt (see Note 14).

Measure of Operations

The increase in net assets from operating activities reflected on the accompanying statements of activities include substantially all of the activity related to net assets with and without donor restrictions. Amounts not included in the measure of operations consist of (1) contributions to permanent endowments and those restricted for capital purposes, including federal and state grants for the acquisition or construction of capital assets, (2) total return on endowment investments (less amounts designated for current operations under the University's spending policy), (3) net realized and unrealized gains or losses on nonendowment investments, (4) the change in value of the liability associated with split-interest gifts, (5) gains or losses on disposal of buildings and equipment and (6) other activities considered by management to be of a nonoperating nature.

Income Taxes

The University is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. Accordingly, no provision for income taxes is made in the financial statements.

Tax positions are recognized or reversed by the University based on a more-likely-than-not threshold. This applies to positions taken or expected to be taken in a tax return. The University does not believe its financial statements include any uncertain tax positions.

Student Financial Assistance

Certain students of the University are recipients of grants under federal and state grant programs. The grants are similar to agency funds because the University acts only as custodian and disbursing agent for these funds. Had these amounts been included, revenues and expenses would have each increased by approximately $10,600,000 and $9,800,000 in 2024 and 2023, respectively.

Title IV Requirements

The University participates in student financial assistance programs (Title IV) administered by the United States Department of Education (DOE) for the payment of student tuition. Substantial portions of the University's revenues 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 DOE revised the regulations for financial responsibility effective July 1, 2019. The regulations require the University to provide additional disclosures to assist the DOE in measuring financial responsibility through the composite score of financial ratios.

Note 6, 9 and 15 provide information on the University's land, buildings and equipment, net, long-term debt, and leases, respectively, but do not provide a breakout by the implementation date of July 1, 2019. The following table provides a breakdown of land, buildings and equipment, long-term debt and leases on May 31, 2024 based on the July 1, 2019 implementation date.

Pre-implementation:	
Land, buildings and equipment, net	$ 222,267,544
Post-implementation:	
Land, buildings and equipment with outstanding debt for original purpose	3,136,863
Land, buildings and equipment, net without outstanding debt for original purchase	31,052,799
Construction in progress	6,061,843
Total land, buildings and equipment, net, post-implementation	40,251,505
Total property, plant and equipment, net and right-of-use assets at June 30, 2024	$ 262,519,049
Long-term debt for long-term purposes, pre-implementation	$ 130,680,821
Long-term debt for long-term purposes, post-implementation - limited to land, buildings and equipment, net with outstanding debt for original purchase	$ 3,136,863

Long-term debt for long-term purposes, post-implementation is limited to the amount of land, buildings and equipment, net with outstanding debt for original purchase of $3,136,863.

Net assets with donor restrictions includes $116,238,825 of net assets restricted due to time or purpose, $97,168,169 of net assets restricted in perpetuity, $511,579 of annuities and $711,397 of life income funds.

Accounting Standards Adopted

In June 2016, the Financial Accounting Standards Board (FASB) issued 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 U.S. 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 No. 2016-13 had no impact on the financial statements for the year ended May 31, 2024 beyond expanded disclosures.

Reclassification

Certain 2023 amounts have been reclassified to conform to the 2024 reporting format. No changes to 2023 net asset amounts have resulted from this reclassification.

Subsequent Events

Subsequent events have been evaluated for recognition or disclosure through September 26, 2024, the date the financial statements were issued.

3. Cash and Cash Equivalents and Investments

	2024		
	Cash and Cash Equivalents	Investments	Total
Split-interest agreements	$ 107,756	$ 4,304,574	$ 4,412,330
Endowment and similar funds	-	319,717,006	319,717,006
Other	10,645,507	28,502,013	39,147,520
Total	$ 10,753,263	$ 352,523,593	$ 363,276,856

	2023		
	Cash and Cash Equivalents	Investments	Total
Split-interest agreements	$ 163,970	$ 3,974,410	$ 4,138,380
Endowment and similar funds	-	283,267,907	283,267,907
Other	13,127,383	41,859,483	54,986,866
Total	$ 13,291,353	$ 329,101,800	$ 342,393,153

4. Contributions Receivable, Net

Unconditional promises to give at May 31 are expected to be collected in the following periods:

	2024	2023
One year or less	$ 1,188,121	$ 573,103
Between one year and five years	3,876,793	3,254,994
More than five years	385,722	522,989
Total	5,450,636	4,351,086
Discount to present value (at rates ranging from 3.49% to 4.98%)	(429,038)	(284,042)
Allowance for doubtful amounts	(55,417)	(38,750)
Contributions receivable, net	$ 4,966,181	$ 4,028,294

5. Investments, Endowment

All investments of endowment and quasi-endowment funds are pooled on a fair value basis. The pool is managed by the University and there are no other parties included in the pool. Each individual fund subscribes to or disposes of units of the pool on the basis of the per-unit fair value at the beginning of the month in which the transaction takes place. At May 31, 2024, the pool consisted of 330,816.027 units, each with a fair value of $966.450. The fair value of each unit increased by $125.317 in 2024.

The following tabulation summarizes changes in relationships between cost and fair value of the pooled net assets as well as the components of endowment return for the years ended May 31:

	Number of Units	Fair Value	Cost	Fair Value in Excess of Cost
Years ended:				
May 31, 2024	330,816.027	$ 319,717,006	$ 226,274,025	$ 93,442,981
May 31, 2023	336,769.332	$ 283,267,907	$ 221,782,488	$ 61,485,419
May 31, 2022	329,743.403	$ 275,463,301	$ 209,271,552	$ 66,191,749

	2024	2023
Endowment return:		
Change in unrealized gains (losses)	$ 31,957,559	$ (4,706,327)
Realized gains for the year, net	3,875,586	3,501,491
Interest and dividends	3,830,255	3,939,173
Investment expenses	(1,660,439)	(1,661,483)
Total endowment return	$ 38,002,961	$ 1,072,854

The interest and dividend income yield based upon the average fair value of pooled assets amounted to approximately 1.27% and 1.41% in 2024 and 2023, respectively.

The components of the total return on investments and a reconciliation to the amounts reported in the statements of activities for the years ended May 31:

	2024	2023
Total endowment return per above	$ 38,002,961	$ 1,072,854
Investments not included in endowment:		
Interest and dividends	1,654,132	1,060,077
Net realized and unrealized losses	1,599,466	(757,093)
Total investment return	$ 41,256,559	$ 1,375,838
Per statements of activities:		
Endowment income designated for current operations	$ 14,236,276	$ 11,479,360
Investment income	1,654,132	1,060,077
Net realized and unrealized losses on investments	1,599,466	(757,093)
Total return of endowment pool less amounts designated for current operations	23,766,685	(10,406,506)
Total investment return	$ 41,256,559	$ 1,375,838

6. Land, Buildings and Equipment

Land, buildings and equipment at May 31 consisted of the following:

	2024	2023
Land	$ 24,255,378	$ 24,255,378
Land improvements	34,017,010	33,843,606
Buildings	406,794,066	399,217,393
Equipment	53,517,633	52,088,890
Construction in progress	6,061,843	3,424,559
Total cost	524,645,930	512,829,826
Accumulated depreciation	(265,263,744)	(252,465,287)
Net	$ 259,382,186	$ 260,364,539

Construction in progress relates primarily to (1) new information technology network equipment not yet placed into service and (2) smaller building renovation projects across campus scheduled to be completed during the 2024 fiscal year. Outstanding commitments for construction contracts at May 31, 2024 totaled approximately $37,200,000.

7. Deposits and Deferred Income

The University has entered into a series of agreements with its food service and bookstore providers under which the University received grants without donor restrictions for use in furthering the University's educational mission. The grants are amortized on a straight-line basis, over periods ranging from 5 years to 20 years, through 2028. The unamortized balance as of May 31, 2024 and 2023 was $2,148,848 and $2,830,598, respectively.

The remaining balance consists primarily of deferred revenue related to summer terms as noted below:

	Balance at May 31, 2023	Revenue Recognized in 2024 Included in May 31, 2023 Balance	Cash Received in Advance of Performance	Balance at May 31, 2024
Tuition and fees, net of student aid	$ 5,918,146	$ 5,918,146	$ 6,197,302	$ 6,197,302

	Balance at June 1, 2022	Revenue Recognized in 2023 Included in June 1, 2022 Balance	Cash Received in Advance of Performance	Balance at May 31, 2023
Tuition and fees, net of student aid	$ 5,927,069	$ 5,927,069	$ 5,918,146	$ 5,918,146

8. Split-Interest Agreements

The University has several irrevocable charitable remainder annuity trusts (split-interest agreements), with specified distributions to be made to a designated beneficiary or beneficiaries over the trusts' terms. Upon termination of the trusts, the University will receive the assets remaining in the trusts. The assets are recorded at fair value when received and the liability to the donor's beneficiary is recorded, using a discount rate of return at the date of gift. The liability represents the present value of the estimated future payments to be distributed over the beneficiary's expected life. The fair value of the assets as of May 31, 2024 and 2023 was $4,412,332 and $4,138,380, respectively, and are included in cash and cash equivalents and investments in the statements of financial position.

9. Long-Term Debt

Long-term debt at May 31 consists of the following:

	2024	2023
Northeastern Pennsylvania Hospital and Education Authority Revenue Bond, Series 2014 (a) Original issue $20,000,000; interest is payable quarterly at 79% of LIBOR, plus 0.36%, plus an applicable margin based on the University's rating by Standard and Poor's (currently 0%). The interest rate at May 31, 2024 was 4.86%; principal is due in annual installments ranging from $100,000 to $940,000 through 2039.	$ 15,000,000	$ 15,940,000
City of Wilkes-Barre Finance Authority - University Revenue Bonds, Series 2015A (b) Original issue $36,025,000; interest from 2.00% to 5.00% depending on the term of bonds; principal is due in annual installments ranging from $550,000 to $3,585,000 through 2036.	27,730,000	29,425,000
Scranton-Lackawanna Health and Welfare Authority - University Revenue Bonds, Series 2016 (c) Original issue $25,460,000; interest from 3.00% to 5.00% depending on the term of bonds; principal is due in annual installments ranging from $895,000 to $4,945,000 through 2038.	24,565,000	25,460,000
Lackawanna Industrial Development Authority - University Revenue Bonds, Series 2017 (d) Original issue $66,460,000; interest from 3.00% to 5.00% depending on the term of bonds; principal is due in annual installments ranging from $100,000 to $9,270,000 through 2040.	57,130,000	58,640,000
Total outstanding face amount	124,425,000	129,465,000
Original issue premium	7,006,776	7,519,640
Issuance costs	(750,955)	(804,675)
Total long-term debt, net	$ 130,680,821	$ 136,179,965

(a) The University Revenue Bond, Series 2014 was issued to provide funding for the construction of the rehabilitation education center.

(b) The University Revenue Bonds, Series 2015A was issued to provide funds for the refunding of the Series 2006A and Series 2006B bonds which were originally used for capital construction.

(c) The University Revenue Bonds, Series 2016 was issued to provide funds for the refunding of the Series 2007 bonds which were originally used for capital construction.

(d) The University Revenue Bonds, Series 2017 was issued to provide funds for the refunding of the Series 2002 K1 and Series 2010 bonds which were originally used for capital construction.

All University bonds are secured by a security interest in the University's revenues without donor restrictions.

Scheduled principal payments on long-term debt are as follows:

2025	$ 5,245,000
2026	5,460,000
2027	5,690,000
2028	5,925,000
2029	6,150,000
Thereafter	95,955,000
Total	$ 124,425,000

10. Pension and Postretirement Liability

Substantially all of the University's full-time employees are covered by various defined contribution pension plans. The University's contributions under the plans are based on salary levels and are subject to a maximum annual contribution per employee.

Contributions to the pension plans are made as payroll expenditures are incurred. Pension expense was $5,261,703 in 2024 and $4,952,668 in 2023.

The University entered into defined benefit window retirement plans for certain retiring faculty members. As part of the agreements, the University provides certain health benefits upon retirement. The University has recognized a liability of $1,814,353 and $1,758,321 at May 31, 2024 and 2023, respectively, for these plans which is included in the table below and in accrued postretirement benefits in the statements of financial position.

The University has also entered into special separation and retirement agreements with certain faculty and staff members outside the various window retirement plans. The University recognized a liability of $402,532 and $593,938 at May 31, 2024 and 2023, respectively, for salary and benefits which is included in accrued postretirement benefits in the statements of financial position.

Reconciliation of Benefit Obligation, Plan Assets and Funded Status

The University recognizes the funded status of the above plans as assets or liabilities in its statements of financial position and recognizes changes in that funded status in the year in which the changes occur through changes in net assets without donor restrictions.

The University uses an annual measurement date of May 31 to determine benefit obligations for the plans.

The funded status of the health benefit portion of the plans is as follows:

	2024	2023
Change in benefit obligation:		
Benefit obligation, beginning of year	$ 1,758,321	$ 1,880,714
Interest cost	81,861	66,234
Participants' contributions	53,144	50,200
Special termination	-	(95,389)
Actuarial loss (gain)	219,363	168,262
Benefits paid	(298,336)	(311,700)
Benefit obligation, end of year	1,814,353	1,758,321
Change in plan assets:		
Fair value of plan assets, beginning of year	-	-
Employer contribution	245,191	261,500
Participants' contributions	53,144	50,200
Benefits paid	(298,335)	(311,700)
Fair value of plan assets, end of year	-	-
Funded status, amount recognized in the statements of financial position	$ 1,814,353	$ 1,758,321

The benefit payments, which reflect expected future service, as appropriate, are expected to be paid as follows:

Years ending May 31:	
2025	$ 273,266
2026	266,741
2027	227,155
2028	202,460
2029	191,817
2030 - 34	746,717

11. Fair Value Measurements

The University categorizes its financial instruments, based on the priority of the inputs to the valuation technique, into a three-level fair value hierarchy in accordance with U.S. GAAP. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the hierarchy are described below:

Level 1 - Financial assets and liabilities whose values are based on unadjusted quoted prices in active markets that are accessible at the measurement date for identical assets or liabilities.

Level 2 - Financial assets and liabilities whose values are based on one or more of the following:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in nonactive markets;

- Pricing models whose inputs are observable for substantially the full term of the asset or liability; or

- Pricing models whose inputs are derived principally from or corroborated by observable market data through correlation or other means for substantially the full term of the asset or liability.

Level 3 - Financial assets and liabilities whose values are based on prices or valuation techniques that require inputs that are both significant to the fair value measurement and unobservable. These inputs reflect management's own assumptions about the assumptions a market participant would use in pricing the asset or liability.

In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, the level in the fair value hierarchy within which the fair value measurement in its entirety falls has been determined based on the lowest level input that is significant to the fair value measurement in its entirety. The University's assessment of the significance of a particular input to the fair value measurement in its entirety requires judgment and considers factors specific to the asset or liability.

A review of the fair value hierarchy classifications is conducted on an annual basis. Changes in the type of inputs may result in a reclassification for certain financial assets or liabilities. Reclassifications impacting Level 3 of the fair value hierarchy are reported as transfers in/out of the Level 3 category as of the beginning of the year in which the reclassification occurs.

The following tables present information about the University's assets measured at fair value on a recurring basis as of May 31, 2024 and 2023 and indicates the fair value hierarchy of the valuation techniques utilized by the University to determine such fair value.

	2024			
	Level 1	**Level 2**	**Level 3**	**Total**
Cash and cash equivalents	$ 7,076,065	$ -	$ -	$ 7,076,065
Certificates of deposit	-	17,209,907	-	17,209,907
Corporate fixed income	-	2,772,664	-	2,772,664
U.S. government obligations	2,646,960	6,141,904	-	8,788,864
Fixed income mutual funds	14,229,984	342,674	-	14,572,658
Corporate stock	21,012,269	2,487,020	-	23,499,289
Equity mutual funds	109,859,064	1,060,501	-	110,919,565
Investments measured at NAV(1)	-	-	-	167,684,581
Total investments	$ 154,824,342	$ 30,014,670	$ -	$ 352,523,593

	2023			
	Level 1	**Level 2**	**Level 3**	**Total**
Cash and cash equivalents	$ 5,042,932	$ -	$ -	$ 5,042,932
Certificates of deposit	-	15,989,763	-	15,989,763
Corporate fixed income	-	3,130,959	-	3,130,959
U.S. government obligations	16,486,789	6,664,788	-	23,151,577
Fixed income mutual funds	13,714,399	384,261	-	14,098,660
Corporate stock	17,461,719	2,121,740	-	19,583,459
Equity mutual funds	91,033,003	965,317	-	91,998,320
Investments measured at NAV(1)	-	-	-	156,106,130
Total investments	$ 144,008,842	$ 29,256,828	$ -	$ 329,101,800

(1) Certain investments measured at fair value using the NAV (or its equivalent) practical expedient have not been categorized in the fair value hierarchy but have been included in this table to permit a reconciliation to the investment amount presented in the statements of financial position.

Fair values were determined as follows:

Cash and Cash Equivalents

Cash and cash equivalents represent money market funds. Carrying amounts approximate fair value because of the short maturity of those financial instruments.

Certificates of Deposit

The carrying amount approximates fair value as estimated by discounting contractual cash flows using current rates for instruments with similar maturities.

Corporate Fixed Income

Corporate fixed income securities are valued using matrix pricing which relies on various benchmarks to determine fair value.

U.S. Government Obligations

U.S. Treasury obligations are valued using quoted prices in active markets and are classified as Level 1. Other U.S. government obligations are valued using matrix pricing which relies on various benchmarks to determine value and are considered Level 2.

Mutual Funds

Mutual funds valued using quoted prices in active markets are classified as Level 1. Mutual funds that do not have quoted prices in active markets are considered to be Level 2 within the hierarchy and are based on the value of the underlying securities in the account.

Corporate Stock

Corporate stocks valued using quoted prices in active markets are classified as Level 1. Other stocks that do not have quoted prices in active markets are classified as Level 2 based on the value of underlying securities in the account.

Information regarding investment objectives, unfunded commitments and redemptions for investments measured at NAV at May 31 is as follows:

	2024			
	Fair Value	**Unfunded Commitments**	**Redemption Frequency**	**Redemption Notice Period**
International value equity fund (a)	$ 19,154,709	$ -	Monthly	30 Days
Multi-asset credit strategy commingled fund (b)	12,325,266	-	Quarterly	60 Days
Direct hedge funds (c)	64,394,685	-	Monthly to Annually	45 to 90 Days
International growth equity fund (d)	21,422,827	-	Daily	1 Day
Socially responsible aggregate bond fund (e)	14,941,964	-	Daily	2 Days
Private equity fund of funds (f)	35,445,130	18,536,489	Illiquid	Illiquid
Total	$ 167,684,581	$ 18,536,489		

	2023			
	Fair Value	**Unfunded Commitments**	**Redemption Frequency**	**Redemption Notice Period**
International value equity fund (a)	$ 16,130,275	$ -	Monthly	30 Days
Multi-asset credit strategy commingled fund (b)	11,260,441	-	Quarterly	60 Days
Direct hedge funds (c)	62,733,754	3,768,837	Monthly to Annually	45 to 90 Days
International growth equity fund (d)	19,113,103	-	Daily	1 Day
Socially responsible aggregate bond fund (e)	14,665,440	-	Daily	2 Days
Private equity fund of funds (f)	32,203,117	10,488,000	Illiquid	Illiquid
Total	$ 156,106,130	$ 14,256,837		

(a) An international equity fund which employs a bottom-up analytical process in its discipline to identify value equity opportunities. The fund screens a universe of foreign equities searching for the lowest priced stocks according to a criteria including: price to book value, price to cash flow, market capitalization to revenues and dividend yield. The fund selects equities for inclusion based upon underlying earnings strength. Fund managers believe that the value philosophy of buying good companies at good prices yields the best results when applied with patience, consistency and discipline.

(b) The fund is a commingled fund whose objective is to offer the potential for higher returns than traditional fixed income with a moderate level of overall risk, significantly lower exposure to rising interest rates and very good diversification relative to public indexes. The fund expects to benefit primarily from four capabilities: (1) a broad platform that accesses a wide view of the credit universe, (2) a dynamic asset allocation based on the relative value between asset classes, (3) inclusion of proprietary originations and other opportunities accessible to the manager's platform and (4) well-proven capabilities on individual security selection within each sector.

(c) The University has a direct hedge fund program that has been designed to diversify and complement the equity market and interest rate risks that dominate the Endowment portfolio. In an effort to achieve these objectives, the program has been diversified across a number of managers and underlying investment strategies, measures which are expected to mitigate risk and improve the likelihood of achieving the desired results. The program includes specialists in event driven, long/short equity, long/short credit, macro/diversifying, as well as multi-strategy managers. Each manager implements a unique approach to their strategy, which carry a specific expected risk/reward that are collectively expected to achieve the desired results.

(d) The fund's investment objective is to seek capital appreciation by investing primarily in foreign equity securities, including emerging market equity securities. The fund may invest a large percentage of its assets in issuers in a single country, a small number of countries or a particular geographic region. It focuses on investing the fund's assets in the stocks of companies it believes to have above average earnings growth potential compared to other companies (growth companies) and may invest in companies of any size. The fund uses a bottom-up investment approach to buying and selling investments. Investments are selected primarily based on fundamental analysis of individual issuers and their potential in light of their financial condition and market, economic, political and regulatory conditions. Factors considered may include analysis of an issuer's earnings, cash flows, competitive position and management ability. Quantitative models that systemically evaluate an issuer's valuation, price and earnings momentum, earnings quality and other factors may also be considered.

(e) The fund seeks to outperform the Bloomberg U.S. Aggregate Bond Index (Index) while investing only in the securities of issuers whose activities are consistent with the fund's social criteria. The Index measures the performance of the U.S. investment grade fixed-rate bond market, including government and corporate securities, mortgage pass-through securities and asset backed securities that have a remaining maturity of at least one year. The fund's investment objective is to outperform the Index by utilizing a disciplined, bottom-up investment approach to seek what the manager believes to be inefficiently priced securities with strong fundamentals that also meet the fund's social criteria. While the manager is Index aware, the fund's portfolio is not beholden to the Index's composition and the most attractive opportunities are actively sought.

(f) Private equity fund of fund investments invest in a diversified portfolio of leveraged buyout, growth equity, special situations and venture capital funds. The target allocations include growth equity and buyout (25% - 65%), venture capital (25% - 40%) and special situations (0% - 25%). These investments offer an appropriate level of diversification for risk mitigation without compromising manager quality or resulting in dilution of returns.

12. Endowments

Net assets associated with endowment funds, including funds designated by the Board of Trustees (the Board) to function as endowments, are classified and reported by the University based on the existence or absence of donor-imposed restrictions.

The University's endowment consists of a portfolio of actively managed funds established to provide both a source of operating funds as well as long-term financial stability. The endowment includes both donor-restricted endowment funds and funds designated by the Board to function as quasi-endowments.

Interpretation of Relevant Law

The University's Board interpreted Commonwealth of Pennsylvania Act 141 as requiring the preservation of the fair value of the original donor-restricted endowment fund gift as of the gift date, absent explicit donor stipulations to the contrary. As a result of this interpretation, the University classifies net assets with donor restrictions (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 made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. This is regarded as the "historic dollar value" of the endowed fund. The remaining portion of the donor-restricted endowment fund, which is regarded as "net appreciation," is classified as net assets with donor restrictions until those amounts are appropriated for expenditure by the University in a manner consistent with the University's spending policy.

Endowment Investment Policy

The University's Board adopted an investment policy that is intended to provide a predictable stream of funding to programs from 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, as well as Board-designated funds. Under this approach, the endowment assets are invested in a manner that is intended to produce results that equal the total of the amount drawn annually for operations plus the rate of inflation plus investment management fees.

Endowment Spending Policy

The Finance Committee of the Board authorizes an endowment spending policy based upon the average fair value of endowment investments as of May 31 for the preceding three audited fiscal years. The authorized endowment spending policy was 5.35% and 4.85% in 2024 and 2023, respectively.

The Commonwealth of Pennsylvania permits organizations to allocate to income each year a portion of permanently restricted investment gains under a total spending rate policy not to exceed 7.00%. Income in excess of the Board-authorized endowment spending policy is recognized as an increase in net assets with donor restrictions. Such amounts may be released to net assets without donor restrictions in future years only to the extent of the annual limitation applicable to the year in which they are to be released.

Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, the University relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The University's Board outsourced management of the investment portfolio as a best governance practice. A consultant assists the Board's Investment Committee in selecting managers which employ a wide range of investment strategies, inclusive of alternative investments, based upon an asset allocation set by the Investment Committee. The rationale for including alternative investment strategy managers for the University's portfolio is to reduce overall volatility while providing equity-like returns. Alternative asset classes historically demonstrate lower volatility on a stand-alone basis compared to traditional asset classes. Additionally, they exhibit low correlations to traditional financial instruments, thus providing diversification benefits at the total fund level.

Endowment Fund Activity

	May 31, 2024		
	Without Donor Restriction	With Donor Restriction	Total
Donor-restricted endowment funds	$ -	$ 190,417,561	$ 190,417,561
Board-designated quasi-endowment funds	105,323,532	-	105,323,532
Total	$ 105,323,532	$ 190,417,561	$ 295,741,093
Endowment net assets, May 31, 2023	$ 97,112,258	$ 168,744,614	$ 265,856,872
Investment return:			
Interest and dividends	1,390,030	2,440,225	3,830,255
Investment expenses	(601,631)	(1,058,808)	(1,660,439)
Net realized gains	1,405,356	2,470,230	3,875,586
Net unrealized losses	11,511,377	20,446,182	31,957,559
Net investment return	13,705,132	24,297,829	38,002,961
Contributions	500	3,040,114	3,040,614
Other additions	32,443	44,331	76,774
Appropriation of endowment assets for operations (draw)	(5,526,801)	(5,709,327)	(11,236,128)
Total changes	8,211,274	21,672,947	29,884,221
Endowment net assets, May 31, 2024	$ 105,323,532	$ 190,417,561	$ 295,741,093

	May 31, 2023		
	Without Donor Restriction	**With Donor Restriction**	**Total**
Donor-restricted endowment funds	$ -	$ 168,744,614	$ 168,744,614
Board-designated quasi-endowment funds	97,112,258	-	97,112,258
Total	$ 97,112,258	$ 168,744,614	$ 265,856,872
Endowment net assets, May 31, 2022	$ 92,983,596	$ 169,775,017	$ 262,758,613
Investment return:			
Interest and dividends	1,382,429	2,556,744	3,939,173
Investment expenses	(593,151)	(1,068,332)	(1,661,483)
Net realized gains	1,267,031	2,234,460	3,501,491
Net unrealized losses	(1,720,326)	(2,986,001)	(4,706,327)
Net investment return	335,983	736,871	1,072,854
Contributions	29,849	3,978,497	4,008,346
Board designations	8,000,000	-	8,000,000
Other additions	-	77,461	77,461
Appropriation of endowment assets for operations (draw)	(4,237,170)	(5,823,232)	(10,060,402)
Total changes	4,128,662	(1,030,403)	3,098,259
Endowment net assets, May 31, 2023	$ 97,112,258	$ 168,744,614	$ 265,856,872

13. Net Assets

A summary of the nature of restrictions on restricted net assets and Board designations related to net assets without donor restrictions as of May 31, 2024 and 2023 follows.

Net assets without donor restrictions consist of the following:

	2024	**2023**
Funds functioning as endowment	$ 105,323,532	$ 97,112,258
Investment in plant funds	122,712,211	116,799,137
Internally designated for building funds	14,133,857	13,728,682
Total plant funds	136,846,068	130,527,819
Participation in student loan program	423,338	438,381
Uncommitted reserve funds available for operations	20,696,144	30,659,452
Total	$ 263,289,082	$ 258,737,910

Net assets with donor restrictions consist of the following:

	2024	2023
Purpose restricted or time restricted for future periods:		
Accumulated gains, endowment funds	$ 93,249,392	$ 74,624,009
Restricted for time	3,959,097	2,301,091
Restricted for purpose	19,535,851	17,728,386
Restricted in perpetuity:		
Endowment principal	97,168,169	94,120,605
Split-interest agreements	717,461	607,053
Total	$ 214,629,970	$ 189,381,144

14. Functional Allocation of Natural Expenses

Expenses related to providing these services are as follows for the year ended May 31, 2024:

	Instruction	Research	Public Service	Academic Support	Library	Student Services and Activities	Institutional Support	Auxiliary Enterprises	Total
Salaries and benefits	$ 59,702,073	$ 443,444	$ 1,214,366	$ 6,479,987	$ 3,568,067	$ 13,462,699	$ 16,466,241	$ 9,010,639	$ 110,347,516
Services	2,960,078	590,821	743,106	838,739	518,609	5,763,158	11,617,165	6,136,955	29,168,631
Depreciation	3,120,090	102,460	33,641	398,555	710,648	1,261,882	1,332,221	6,214,856	13,174,353
Food service	-	-	-	-	-	-	-	9,291,286	9,291,286
Materials and supplies	836,411	100,876	118,564	493,823	1,933,445	1,339,010	1,187,352	1,135,750	7,145,231
Interest on indebtedness	2,610,221	110	21	429	53,924	47,607	28,870	2,968,795	5,709,977
Total	$ 69,228,873	$ 1,237,711	$ 2,109,698	$ 8,211,533	$ 6,784,693	$ 21,874,356	$ 30,631,849	$ 34,758,281	$ 174,836,994

Expenses related to providing these services are as follows for the year ended May 31, 2023:

	Instruction	Research	Public Service	Academic Support	Library	Student Services and Activities	Institutional Support	Auxiliary Enterprises	Total
Salaries and benefits	$ 57,567,546	$ 439,942	$ 1,173,729	$ 5,843,111	$ 3,159,574	$ 12,235,990	$ 12,527,849	$ 8,412,523	$ 101,360,264
Services	3,009,229	486,232	674,935	713,810	438,377	5,730,544	7,845,063	5,520,739	24,418,929
Depreciation	3,065,095	102,003	30,454	396,328	686,255	1,215,162	1,465,204	6,253,170	13,213,671
Food service	-	-	-	-	-	-	-	8,623,470	8,623,470
Materials and supplies	1,022,899	37,806	6,617	536,944	1,916,340	1,324,932	2,239,649	1,095,264	8,180,451
Interest on indebtedness	2,524,794	106	20	412	51,685	40,789	29,263	3,038,541	5,685,610
Total	$ 67,189,563	$ 1,066,089	$ 1,885,755	$ 7,490,605	$ 6,252,231	$ 20,547,417	$ 24,107,028	$ 32,943,707	$ 161,482,395

15. Leases

The University has entered into the following lease arrangements:

Operating leases: The University leases a nearby building and surrounding premises related to a combined early childhood learning center and graduate student housing facility. The lease commenced in September 2015, has a 15-year term and includes an option for the University to renew the lease for an additional five-year term following the conclusion of the initial 15-year term. The payment structure of the lease includes an annual escalation clause that is fixed in nature. The University is also responsible for paying property taxes, insurance and certain maintenance and repair costs.

Finance leases: The University also leases certain printing devices and fitness center and laundry equipment. These leases generally have initial lease terms of three to five years.

Certain leases include an option to renew the arrangement. The University assesses renewal options using a "reasonably certain" threshold, which is understood to be a high threshold, and therefore, the majority of its leases' terms do not include renewal periods for accounting purposes. For leases where the University is reasonably certain to exercise its renewal option, the option periods are included within the lease term, and therefore, the measurement of the ROU asset and lease liability.

Certain leases include an option to purchase the leased assets. The University assesses the likelihood of exercising the purchase option using a "reasonably certain" threshold, which is understood to be a high threshold, and therefore, purchase options are generally accounted for when a compelling economic reason to exercise the option exists.

Certain leases include an option to terminate the lease, the terms and condition of which vary by contract. These options allow the parties to the contract to terminate their obligations typically in return for an agreed upon financial consideration amount. The University's lease agreements do not contain material residual value guarantees.

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 payments under operating leases as of May 31, 2024 were as follows:

2025	$ 489,033
2026	499,509
2027	510,229
2028	487,746
2029	498,964
Thereafter	638,771
Total	3,124,252
Less amount representing interest	(352,588)
Present value of minimum lease payments	$ 2,771,664

Future minimum payments under financing leases as of May 31, 2024 were as follows:

2025	$	218,947
2026		175,531
2027		111,503
2028		79,488
2029		79,488
Thereafter		13,248
Total		678,205
Less amount representing interest		(58,709)
Present value of minimum lease payments	$	619,496

Total lease costs are comprised of the following for the years ended May 31, 2024 and 2023:

	2024	2023
Lease cost:		
Finance lease cost:		
Amortization of right-of-use assets	$ 201,376	$ 193,062
Interest on lease liabilities	28,650	27,740
Operating lease cost	479,346	478,045
Short-term lease cost	84,113	70,747
Total lease cost	$ 793,485	$ 769,594

Other supplemental and cash flow lease information as of and for the years ended May 31, 2024 and 2023 is as follows:

	2024	2023
Other information:		
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows from finance leases	$ 28,787	$ 27,905
Operating cash flows from operating leases	478,793	468,776
Financing cash flows from finance leases	187,446	188,503
Right-of-use assets obtained in exchange for new:		
Finance lease liabilities	273,270	-
Operating lease liabilities	-	148,567
Weighted-average remaining lease term:		
Finance leases	4.00 years	5.28 years
Operating leases	6.14 years	7.13 years
Weighted-average discount rate:		
Finance leases	4.62%	4.37%
Operating leases	3.96%	3.97%

16. Liquidity and Availability of Resources

The University's financial assets available within one year of the statements of financial position date for general expenditure are as follows:

	2024	2023
Cash and cash equivalents	$ 10,645,507	$ 13,127,383
Accounts receivable	10,548,699	8,575,135
Contributions receivable	910,824	251,500
Other investments available for current use	28,502,013	41,859,483
Financial assets available to meet cash needs for general expenditures within one year	$ 50,607,043	$ 63,813,501

The University's endowment funds consist of donor-restricted endowments and a quasi-endowment. Income from donor-restricted endowments is restricted for specific purposes, and therefore, is not available for general expenditure. $5,240,061 of appropriations from the quasi-endowment will be available within the next 12 months.

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 come due. To help manage unanticipated liquidity needs, the University has a committed, unsecured line of credit agreement with a bank in the amount of $4,000,000, which it could draw upon. The agreement expires on December 31, 2024 and may be renewed annually. Interest on any borrowings is equal to the sum of the Daily Secured Overnight Financing Rate (SOFR) plus 100 basis points (6.34% at May 31, 2024). There were no borrowings at May 31, 2024 and 2023.

In addition, the University had Board-designated endowment net assets of $105,323,532 and $97,112,258 at May 31, 2024 and 2023, respectively. Although the University does not intend to spend from its Board-designated endowment other than amounts appropriated for general expenditure as part of its annual budget approval and appropriation process, amounts from the University Board-designated endowment could be made available, if necessary. However, both the Board-designated endowment and donor-restricted endowments contain investments with lock-up provisions that would reduce the total investments that could be made available.

17. Contingencies

In the ordinary course of conducting business, the University occasionally becomes involved in legal proceedings relating to contracts or other matters. While any proceedings or litigation have an element of uncertainty, management believes that the outcome of any pending or threatened actions will not have a material adverse effect on the business or financial condition of the University.

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.

18. Related-Party Transactions

Members of the University's Board of Trustees and senior management may, from time to time, be associated, either directly or through interlocking board memberships, with entities doing business with the University. The University has a written conflict of interest policy that requires such associations be disclosed in writing on an annual basis and updated as appropriate during the year. When such associations exist, measures are taken to mitigate any actual or perceived conflict.

The financial statements include contributions receivable from related parties of approximately $812,000 and $1,559,000 at May 31, 2024 and 2023, respectively. All related-party activity is conducted in accordance with the University's normal policies and procedures.