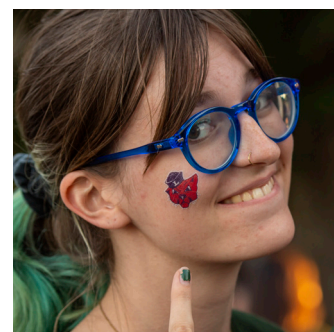




*Unwavering excellence*



# 2023-24 FINANCIAL REPORT



## **Contents**

<b>Independent Auditor's Report</b> .....	<b>1</b>
<b>Consolidated Financial Statements</b>	
Statements of Financial Position.....	3
Statements of Activities .....	4
Statements of Functional Expenses.....	5
Statements of Cash Flows .....	6
Notes to Financial Statements .....	7

## **Independent Auditor's Report**

Board of Trustees  
Linfield University  
McMinnville, Oregon

### **Report on the Audit of the Consolidated Financial Statements**

#### ***Opinion***

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

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of Linfield 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.

#### ***Basis for Opinion***

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

#### ***Responsibilities of Management for the Consolidated Financial Statements***

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

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

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

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

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the University's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the University's ability to continue as a going concern for a reasonable period of time.

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

**Forvis Mazars, LLP**

Fort Wayne, Indiana  
December 20, 2024

**Linfield University**  
**Consolidated Statements of Financial Position**  
**June 30, 2024 and 2023**

	<b>2024</b>	<b>2023</b>
<b>Assets</b>		
<b>Assets - Current</b>		
Cash and cash equivalents	\$ 8,688,470	\$ 7,506,785
Accounts and notes receivable, net (Note 8)	5,133,529	7,149,147
Interest receivable	13,203	12,115
Prepaid expenses and other assets	2,622,914	1,563,583
Contributions receivable, net (Note 10)	1,769,766	2,550,342
Inventory	85,954	24,845
Investments (Note 6)	7,420,296	2,604,360
Assets held for sale	-	830,101
Total current assets	<u>25,734,132</u>	<u>22,241,278</u>
<b>Assets - Noncurrent</b>		
Accounts and notes receivable, net (Note 8)	4,324,412	4,313,406
Interest receivable	68,867	51,110
Prepaid expenses and other assets	37,534	79,618
Contributions receivable, net (Note 10)	204,528	1,123,937
Investments (Note 6)	127,062,961	124,161,810
Assets held in trust by others	15,863,554	15,819,232
Plant assets, net (Note 11)	141,962,453	143,654,239
Total noncurrent assets	<u>289,524,309</u>	<u>289,203,352</u>
Total assets	<u><u>\$ 315,258,441</u></u>	<u><u>\$ 311,444,630</u></u>
<b>Liabilities and Net Assets</b>		
<b>Liabilities - Current</b>		
Accounts payable and accrued liabilities	\$ 6,419,325	\$ 6,004,022
Deferred revenue	1,622,777	1,554,630
Bonds payable (Note 12)	3,502,204	3,303,708
U.S. Government grants refundable	202,165	699,639
Obligations for split-interest agreements	29,302	241,004
Total current liabilities	<u>11,775,773</u>	<u>11,803,003</u>
<b>Liabilities - Noncurrent</b>		
Accounts payable and accrued liabilities	126,319	193,999
Bonds payable (Note 12)	46,305,552	49,739,260
U.S. Government grants refundable	3,446,298	3,446,298
Obligations for split-interest agreements	1,273,425	1,217,719
Total non-current liabilities	<u>51,151,594</u>	<u>54,597,276</u>
Total liabilities	<u>62,927,367</u>	<u>66,400,279</u>
<b>Net Assets (Note 3)</b>		
Without donor restriction	121,604,326	123,092,219
With donor restriction	130,726,748	121,952,132
Total net assets	<u>252,331,074</u>	<u>245,044,351</u>
Total liabilities and net assets	<u><u>\$ 315,258,441</u></u>	<u><u>\$ 311,444,630</u></u>

**Linfield University**  
**Consolidated Statements of Activities**  
**Years Ended June 30, 2024 and 2023**

	2024			2023		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
<b>Revenue, Income, and Other Support</b>						
Tuition and fees, net	\$ 38,420,831	\$ -	\$ 38,420,831	\$ 39,584,145	\$ -	\$ 39,584,145
Contributions	842,763	2,333,575	3,176,338	1,769,286	3,073,573	4,842,859
Contracts and grants	775,199	235,713	1,010,912	541,886	348,004	889,890
Net investment income designated for operations	560,735	-	560,735	369,309	-	369,309
Other income	2,151,969	-	2,151,969	1,598,774	448,056	2,046,830
Auxiliary enterprises	13,125,669	-	13,125,669	12,935,759	-	12,935,759
Endowment return designated for operations	4,662,431	3,597,807	8,260,238	815,248	3,364,913	4,180,161
Net assets released from restrictions, operating	5,137,805	(5,137,805)	-	7,160,583	(7,160,583)	-
Total revenue, income, and other support	65,677,402	1,029,290	66,706,692	64,774,990	73,963	64,848,953
<b>Expenses</b>						
Instruction	26,180,113	-	26,180,113	25,824,243	-	25,824,243
Academic support	6,158,956	-	6,158,956	5,704,287	-	5,704,287
Student services	15,763,755	-	15,763,755	14,984,034	-	14,984,034
Auxiliary enterprises	6,967,775	-	6,967,775	5,125,914	-	5,125,914
Institutional support	9,679,098	-	9,679,098	9,779,774	-	9,779,774
Fundraising	3,159,634	-	3,159,634	3,278,548	-	3,278,548
Total expenses	67,909,331	-	67,909,331	64,696,800	-	64,696,800
<b>Change in Net Assets Before Other Activities</b>	(2,231,929)	1,029,290	(1,202,639)	78,190	73,963	152,153
<b>Other Activities</b>						
Contributions for endowment and capital acquisition	-	2,117,617	2,117,617	93,385	2,469,547	2,562,932
Loss on sale of plant assets	(113,838)	-	(113,838)	(1,197,742)	-	(1,197,742)
Realized and unrealized gains on investments	1,510,844	7,933,706	9,444,550	9,014	6,528,583	6,537,597
Endowment return designated for operations, net	(4,662,431)	(3,597,807)	(8,260,238)	(815,248)	(3,364,913)	(4,180,161)
Net investment income, nonoperating	641,548	3,238,944	3,880,492	132,170	4,290,563	4,422,733
Net assets released from restrictions, nonoperating	3,372,250	(3,372,250)	-	8,300,040	(8,300,040)	-
Change in value of split-interest agreements	(4,337)	1,425,116	1,420,779	1,739	510,621	512,360
Total other activities	744,036	7,745,326	8,489,362	6,523,358	2,134,361	8,657,719
<b>Change in Net Assets</b>	(1,487,893)	8,774,616	7,286,723	6,601,548	2,208,324	8,809,872
<b>Net Assets, Beginning of Year</b>	123,092,219	121,952,132	245,044,351	116,490,671	119,743,808	236,234,479
<b>Net Assets, End of Year</b>	\$ 121,604,326	\$ 130,726,748	\$ 252,331,074	\$ 123,092,219	\$ 121,952,132	\$ 245,044,351

See Notes to Consolidated Financial Statements

**Linfield University**  
**Consolidated Statements of Functional Expenses**  
**Years Ended June 30, 2024 and 2023**

	Program Services					Supporting Services			
	Instruction	Academic Support	Student Services	Auxiliary Enterprises	Total Program	Institutional Support	Operation and Maintenance	Fundraising	Total
<b>2024</b>									
Salaries and wages	\$ 15,310,047	\$ 2,463,415	\$ 6,617,996	\$ 605,625	\$ 24,997,083	\$ 2,592,030	\$ 2,872,343	\$ 1,674,619	\$ 32,136,075
Employee benefits	3,476,627	601,012	1,394,890	98,445	5,570,974	842,571	844,790	411,095	7,669,430
Depreciation	1,820,979	428,391	1,096,461	484,649	3,830,480	893,009	-	-	4,723,489
Interest and amortization	793,615	186,701	477,857	211,219	1,669,392	389,189	-	-	2,058,581
Operation and maintenance	2,284,060	537,332	1,375,294	607,897	4,804,583	840,919	(5,924,687)	279,185	-
Contracted services	537,027	339,622	1,402,949	2,906,989	5,186,587	975,556	2,239,784	344,524	8,746,451
Other	1,957,758	1,602,483	3,398,308	2,052,951	9,011,500	3,145,824	(32,230)	450,211	12,575,305
	<u>\$ 26,180,113</u>	<u>\$ 6,158,956</u>	<u>\$ 15,763,755</u>	<u>\$ 6,967,775</u>	<u>\$ 55,070,599</u>	<u>\$ 9,679,098</u>	<u>\$ -</u>	<u>\$ 3,159,634</u>	<u>\$ 67,909,331</u>
	Program Services					Supporting Services			
	Instruction	Academic Support	Student Services	Auxiliary Enterprises	Total Program	Institutional Support	Operation and Maintenance	Fundraising	Total
<b>2023</b>									
Salaries and wages	\$ 15,233,083	\$ 2,395,233	\$ 6,197,800	\$ 593,476	\$ 24,419,592	\$ 2,772,452	\$ 2,328,936	\$ 1,614,743	\$ 31,135,723
Employee benefits	3,794,327	601,738	1,404,288	96,943	5,897,296	1,792,078	784,180	456,198	8,929,752
Depreciation	1,601,734	353,805	929,376	317,932	3,202,847	606,585	-	203,350	4,012,782
Interest and amortization	608,833	134,484	353,264	120,849	1,217,430	230,568	-	77,295	1,525,293
Operation and maintenance	1,721,665	380,297	998,964	341,737	3,442,663	652,003	(4,313,242)	218,576	-
Contracted services	324,365	363,507	1,434,799	2,872,894	4,995,565	825,242	1,200,126	288,291	7,309,224
Other	2,540,236	1,475,223	3,665,543	782,083	8,463,085	2,900,846	-	420,095	11,784,026
	<u>\$ 25,824,243</u>	<u>\$ 5,704,287</u>	<u>\$ 14,984,034</u>	<u>\$ 5,125,914</u>	<u>\$ 51,638,478</u>	<u>\$ 9,779,774</u>	<u>\$ -</u>	<u>\$ 3,278,548</u>	<u>\$ 64,696,800</u>

**Linfield University**  
**Consolidated Statements of Cash Flows**  
**Years Ended June 30, 2024 and 2023**

	<b>2024</b>	<b>2023</b>
<b>Operating Activities</b>		
Change in net assets	\$ 7,286,723	\$ 8,809,872
Items not requiring (providing) operating activities cash flows		
Depreciation	4,723,489	4,012,782
Amortization of debt issuance costs	34,247	34,248
Amortization of discount/premium on debt	(299,459)	(288,964)
Increase (decrease) in allowance for credit losses for accounts, notes and contributions receivable	489,956	(136,925)
Contributions received and payments on contributions receivable restricted for long-term investment	(1,305,161)	(902,040)
Contributions received and payments on contributions receivable restricted for capital investment	(2,901,998)	(4,338,132)
Loss on disposal of plant assets and assets held for sale	113,838	1,197,742
Realized and unrealized gains on investments	(9,444,550)	(6,537,597)
Changes in		
Interest receivable	(18,845)	17,057
Accounts and notes receivable	1,514,656	(779,315)
Contributions receivable	1,699,985	1,761,649
Inventory	(61,109)	-
Prepaid expenses and other assets	(1,017,247)	1,668,671
Accounts payable and accrued liabilities	(157,925)	(1,219,010)
Deferred revenue	68,147	(559,561)
U.S. Government grants refundable	(497,474)	(206,685)
Assets held in trusts by others	(44,322)	(155,659)
Obligations for split-interest agreements	48,767	38,855
Net cash provided by operating activities	<u>231,718</u>	<u>2,416,988</u>
<b>Investing Activities</b>		
Purchase of plant assets	(2,526,155)	(22,056,298)
Proceeds from sale of assets held for sale	716,263	-
Proceeds from sales and maturities of investments	14,983,615	47,026,594
Purchase of investments	(13,256,152)	(37,933,546)
Net cash used in investing activities	<u>(82,429)</u>	<u>(12,963,250)</u>
<b>Financing Activities</b>		
Proceeds from contributions received and payments on contributions receivable restricted for long-term investment	1,305,161	902,040
Proceeds from contributions received and payments on contributions receivable restricted for capital investment	2,901,998	4,338,132
Principal payments on bonds payable	(2,970,000)	(2,855,000)
Payments on obligations for split-interest agreements	(204,763)	(177,629)
Net cash provided by financing activities	<u>1,032,396</u>	<u>2,207,543</u>
<b>Increase (Decrease) in Cash and Cash Equivalents</b>	1,181,685	(8,338,719)
<b>Cash and Cash Equivalents, Beginning of Year</b>	<u>7,506,785</u>	<u>15,845,504</u>
<b>Cash and Cash Equivalents, End of Year</b>	<u>\$ 8,688,470</u>	<u>\$ 7,506,785</u>
<b>Supplemental Cash Flows Information</b>		
Cash paid for interest	\$ 2,354,538	\$ 2,475,125
Plant asset acquisitions in accounts payable	505,548	-



## **Note 1. Nature of Operations and Summary of Significant Accounting Policies**

### ***Nature of Operations***

Linfield University (University) is a not-for-profit, accredited, comprehensive graduate and undergraduate, private, coeducational, liberal arts, and science institution located in McMinnville and Portland, Oregon. Effective July 1, 2020, Linfield College changed its name to Linfield University. The University serves more than 1,798 students from 26 states and 12 foreign countries and offers 62 majors. The University's revenues and other support are derived principally from student tuition, fees, room and board, and donor contributions. In addition, the University processes federal and state assistance grants, and loans for its students to help pay for their educational costs. The University receives federal, state, and private grants for research and development.

### ***Principles of Consolidation***

The consolidated financial statements are comprised of the University's operations and its wholly-owned subsidiary, Acorn to Oak Wine Lounge LLC; which was formed to hold title to and lease certain real property.

All significant interorganizational accounts and transactions have been eliminated in consolidation.

### ***Accrual Basis Accounting***

The consolidated financial statements of the University have been prepared on the accrual basis in accordance with U.S. generally accepted accounting principles.

### ***Use of Estimates***

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

### ***Cash and Cash Equivalents***

The University considers all short-term fixed income investments (highly liquid debt instruments with a maturity of three months or less at purchase), to represent cash equivalents, except for certain cash equivalents included in the investment portfolio that are intended to be invested on a long-term basis, which are also not considered cash and cash equivalents for purposes of the consolidated statements of cash flows. The cash and cash equivalents total was \$8,688,470 and \$7,506,785 at June 30, 2024 and 2023, respectively. The cash and cash equivalent balances were held in money market, bank certificates of deposit, or petty cash on hand.

At June 30, 2024, the University's cash accounts exceeded federally insured limits by approximately \$12,317,000.

### ***Investments and Net Investment Return***

Investments in equity securities having a readily determinable fair value and all debt securities are carried at fair value. Other investments are valued at the lower of cost or fair value. Investment return includes dividend, interest, and other investment income; realized and unrealized gains and losses on investments carried at fair value; and realized gains and losses on other investments, less external and direct internal investment expenses.

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

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

The University follows the provisions of Financial Accounting Standards Board Accounting Standards Codification (ASC) 820, *Fair Value Measurement*, which 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 and establishes a framework for measuring fair value.

The University has certain investments in real estate and related assets that were recorded at cost when purchased or fair value on the date of gift, as appropriate. These investments remain at their initial value and are evaluated annually for impairment. There was no such impairment as of June 30, 2024 and 2023.

### ***Accounts and Notes Receivable***

Accounts receivable are stated at the amount of consideration from students of which the University has an unconditional right to receive plus any accrued and unpaid interest. The University provides an allowance for credit losses, which is based upon a review of outstanding receivables, historical collection information and existing economic conditions adjusted for reasonable and supportable forecasts. Accounts receivable are ordinarily due 30 days after the issuance of the invoice. Accounts that are unpaid after the due date bear interest at 1% per month for the first three months following the end of the applicable semester, after which the balances are transitioned to a service provider to aid with collections and are charged 5% annually. Accounts past due more than 120 days are considered delinquent. Interest continues to accrue on delinquent accounts. Delinquent receivables are written off based on individual credit evaluation and specific circumstances of the customer.

Notes receivable consist primarily of amounts due under the Federal Perkins Loan Program and Nursing Student Loan Program, and are stated at their outstanding principal amount, net of an allowance for credit losses. Loans are made to students based on demonstrated financial need and satisfaction of federal eligibility requirements for the Federal Perkins Loan Program and Nursing Student Loan Program. Principal and interest payments on loans generally do not commence until after the borrower graduates or otherwise ceases enrollment. The University provides an allowance for credit losses which is based upon a review of outstanding loans, historical collection information, and existing conditions adjusted for reasonable and supportable forecasts. Loans that are delinquent continue to accrue interest. Loans that are past due for at least one payment are considered delinquent. Delinquent loans are written off based on individual credit evaluation and specific circumstances of the student.

**Linfield University**  
**Notes to Consolidated Financial Statements**  
**June 30, 2024 and 2023**

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***Inventory***

Inventory consists primarily of Campus Mail Center postage and wine inventory as of June 30, 2024 and 2023. Inventory is stated at the lower of cost or net realizable value. Costs are determined using the first-in, first-out (FIFO) method.

***Tuition and Auxiliary Services Revenue***

Tuition revenue is recognized over the term of the semester as the University provides services to students. Revenue is reported at the amount of consideration which the University expects to be entitled in exchange for providing tuition and auxiliary services. The University determines the transaction price based on standard charges for goods and services provided, reduced by discounts provided for scholarships and other price concessions provided to students.

***Contributions***

Contributions are provided to the University either with or without restrictions placed on the gift by the donor. Revenues and net assets are separately reported to reflect the nature of those gifts – with or without donor restrictions. The value recorded for each contribution is recognized as follows:

<b>Nature of the Gift</b>	<b>Value Recognized</b>
<i>Conditional gifts, with or without restriction</i>	
Gifts that depend on the University overcoming a donor-imposed barrier to be entitled to the funds	Not recognized until the gift becomes unconditional, <i>i.e.</i> , the donor-imposed barrier is met
<i>Unconditional gifts, with or without restriction</i>	
Received at date of gift – cash and other assets	Fair value
Received at date of gift – property, equipment, and long-lived assets	Estimated fair value
Expected to be collected within one year	Net realizable value
Collected in future years	Initially reported at fair value determined using the discounted present value of estimated future cash flows technique

In addition to the amount initially recognized, revenue for unconditional gifts to be collected in future years is also recognized each year as the present value discount is amortized using the level-yield method.

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

Gifts and investment income having donor stipulations which are satisfied in the period the gift is received are recorded as revenue with donor restrictions and then released from restriction.

Conditional contributions having donor stipulations which are satisfied in the period the gift is received are recorded as revenue with donor restrictions and then released from restriction.

**Linfield University**  
**Notes to Consolidated Financial Statements**  
**June 30, 2024 and 2023**

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***Plant Assets***

The University's plant facilities are stated at cost or fair value at the date of donation (in the case of gifts), less accumulated depreciation. All plant assets, other than land, are depreciated over their estimated useful lives using the straight-line method. Estimated useful lives used to calculate depreciation are as follows:

	<u>Years</u>
Buildings - main campus	70
Buildings - smaller residential	30
Building improvements	30
Land improvements	30
Furniture and equipment	10
Library books	10
Vehicles	10
Software	5
Land and art work	Not depreciated

The University capitalizes interest costs as a component of construction in progress, based on interest costs of borrowing specifically for the project, net of interest earned on investments acquired with the proceeds of the borrowing. Total interest capitalized and incurred each year was:

	<u>2024</u>	<u>2023</u>
Total interest expense incurred on borrowings for project	\$ -	\$ 665,567
Interest income from investment proceeds of borrowings for project	-	-
Net interest cost capitalized	<u>\$ -</u>	<u>\$ 665,567</u>
	<u>2024</u>	<u>2023</u>
Interest costs capitalized	\$ -	\$ 665,567
Interest costs charged to expense	<u>2,323,793</u>	<u>1,780,008</u>
Total interest incurred	<u>\$ 2,323,793</u>	<u>\$ 2,445,575</u>

***Bond Issuance Costs***

Bond issuance costs (including bond issue costs, bond discounts and bond premiums) represent amounts amortized by the University in connection with the issuance of the Series 2020A and Series 2020B Yamhill County Revenue and Refunding Bonds. See Note 12 for further discussion.

The remaining unamortized portion of bond issuance costs and discounts are reported (per FASB ASU 2015-03, Subtopic 835-30, *Simplifying the Presentation of Debt Issuance Costs*), as a contra bonds payable liability account and along with unamortized premiums are included in bonds payable on the statements of financial position. Amortization is calculated using a method that approximates the effective yield over the life of the bonds.

### ***Long-lived Asset Impairment***

The University evaluates the recoverability of the carrying value of long-lived assets whenever events or circumstances indicate the carrying amount may not be recoverable. If a long-lived asset is tested for recoverability and the undiscounted estimated future cash flows expected to result from the use and eventual disposition of the asset is less than the carrying amount of the asset, the asset cost is adjusted to fair value and an impairment loss is recognized as the amount by which the carrying amount of a long-lived asset exceeds its fair value. No asset impairment was recognized during the years ended June 30, 2024 and 2023.

### ***Deferred Revenue***

Deferred revenue consists primarily of prepayments of tuition and fees related to future academic semesters which is recognized over the periods to which the fees relate.

### ***Split-Interest Agreements***

The University uses an actuarial method to record certain split-interest arrangements. Under this method, the present value of the payments to beneficiaries is estimated based upon life expectancy tables when the gift is received. The present value of those payments is recorded as a liability and the remainder as net assets with donor restrictions. Periodic adjustments are made between the liability and the net assets to record actuarial gains or losses. The discount rates used by the University in calculating present value of all split-interest agreements range from 0.6% to 10% at June 30, 2024 and 2023. Obligations for split-interest agreements include certain liabilities related to charitable gift annuities. These liabilities totaled \$554,315 and \$715,414 at June 30, 2024 and 2023, respectively.

The University administers various charitable remainder trusts. A charitable remainder trust provides for the payment of distributions to the grantor or other designated beneficiaries over the trust's term (usually the designated beneficiary's lifetime). At the end of the trust's term, the remaining assets are available for the University's use. The portion of the trust attributable to the future interest of the University is recorded in the consolidated statements of activities as restricted contributions in the period the trust is established. Assets held in the charitable remainder trusts are recorded at fair value in the University's consolidated statements of financial position. On an annual basis, the University revalues the liability to make distributions to the designated beneficiaries based on actuarial assumptions. The present value of the estimated future payments is calculated using discount rates of 4.0% to 9.6% and applicable mortality tables. The University has recorded a liability at June 30, 2024 and 2023, of \$748,412 and \$743,309, respectively.

### ***Net Assets – Basis of Presentation***

Net assets, revenue, expenses, gains, and losses are classified based on the existence or absence of donor or grantor-imposed restrictions. The definitions used to clarify and report net assets are as follows:

*Net Assets Without Donor Restrictions* – Net assets that are not subject to donor-imposed stipulations and are available for use in general operations or are part of what's invested in property, plant, and equipment (net of related debt). However, the governing board may designate any of these funds for specific purposes (*i.e.*, specific purpose reserves or endowments).

*Net Assets With Donor Restrictions* – Net assets subject to donor imposed stipulations (1) that will be met either by actions of the University or the passage of time or (2) that are to be permanently maintained 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.

### ***Functional Allocation of Expenses***

The costs of supporting the various programs and other activities have been summarized on a functional basis in the statements of activities. The consolidated statements of functional expenses presents the natural classification detail of expenses by function. Certain costs have been allocated among program services, institutional support, and fundraising categories based on total operating costs.

### ***Contracts and Grants Revenue***

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

### ***Income Taxes***

The University is exempt from federal income taxes under Section 501(a) of the Internal Revenue Code (IRC) as an organization described in Section 501(c)(3) of the IRC, except to the extent of unrelated business income tax under Sections 511 through 515 of the IRC. Unrelated business income tax is insignificant or nonexistent and, therefore, no tax provision has been made.

Accounting principles generally accepted in the United States of America require the University's management to evaluate tax positions taken by the University and recognize a tax liability (or asset) if the University has taken an uncertain position that more likely than not would not be sustained upon examination by the Internal Revenue Service. Management has analyzed tax positions taken by the University and has concluded that as of June 30, 2024 and 2023, there are no uncertain positions taken or expected to be taken that would require recognition of a liability (or asset) or disclosure in the consolidated financial statements. The University is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress. The University's management believes it is no longer subject to income tax examinations for years prior to 2021.

### ***Revision***

An immaterial revision has been made to the 2023 consolidated financial statements related to the classification of certain investments within the fair value hierarchy. This revision did not have a significant impact on the financial statement footnote impacted.

## **Note 2. Revenue From Contracts With Students**

### ***Tuition, Residential Services, Meal Plan Services, and Other Auxiliary Revenue***

Revenue from contracts with students for tuition, residential services, meal plan, and other auxiliary services is reported at the amount that reflects the consideration to which the University expects to be entitled in exchange for providing instruction and housing, food, and other services. These amounts are due from students, third-party payers, and others and are net of scholarships and institutional aid of \$42,133,001 and \$40,752,329 for the years ended June 30, 2024 and 2023, respectively.

Revenue is recognized as performance obligations are satisfied, which is primarily ratably over the academic term, with the exception of meal plans that are recognized at a point in time. Generally, the University bills students prior to the beginning of the semester and student accounts receivable are due in full before classes begin.

If a student withdraws during the academic term, the student is refunded based on the terms published in the student handbook. No refunds are awarded after the end of the fourth week of the academic term.

**Linfield University**  
**Notes to Consolidated Financial Statements**  
**June 30, 2024 and 2023**

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The University determines the refund liability at June 30 based on actual experience subsequent to June 30.

Tuition, residential services, and meal plan services revenue are considered to be separate performance obligations. The University allocates the fees charged to students to tuition and housing, food and other services based on standalone charges to students for tuition and those other services.

***Transaction Price and Recognition***

The University determines the transaction price based on standard charges for goods and services provided, reduced by certain institutional scholarships and aid in accordance with the University's policies for granting certain merit-based aid. The University determines its estimates of explicit price concessions based on its discount policies and merit awards.

From time to time the University will incur student credit balances and student deposits which represent the excess of tuition and fees and other student payments received as compared to amounts recognized as revenue. These amounts are excluded from revenues and are recorded as liabilities until they are refunded. The University has a liability for refunds or deposits from students recorded of less than \$100,000 for each of the years ended June 30, 2024 and 2023, which is included within accounts payable and accrued liabilities on the consolidated statements of financial position.

Subsequent changes that are determined to be the result of an adverse change in the student's ability to pay are recorded as credit loss expense.

The University has determined that the nature, amount, timing and uncertainty of revenue and cash flows are affected by the following factors:

- Payers (for example, students, governmental programs, and others) that have different reimbursement and payment methodologies
- Demographic and enrollment trends
- Institutional aid and federal and state aid programs

***Performance Obligations and Transaction Price Allocated to Remaining Performance Obligations***

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

**Linfield University**  
**Notes to Consolidated Financial Statements**  
**June 30, 2024 and 2023**

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***Disaggregation of Revenue***

The composition of net student fees revenue by segment for the years ended June 30, 2024 and 2023, is as follows:

	<b>2024</b>	<b>2023</b>
Net tuition and fees	\$ 38,420,831	\$ 39,584,145
Room	7,528,286	7,517,840
Board	4,170,232	4,162,408
Other auxiliary revenue	1,427,151	1,255,511
	<u>\$ 51,546,500</u>	<u>\$ 52,519,904</u>

The composition of revenue based on timing of revenue recognition for the years ended June 30, 2024 and 2023, is as follows:

	<b>2024</b>	<b>2023</b>
Services transferred over time	\$ 45,949,117	\$ 47,101,985
Sales at point in time	5,597,383	5,417,919
	<u>\$ 51,546,500</u>	<u>\$ 52,519,904</u>

***Contract Balances***

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

	<b>2024</b>	<b>2023</b>
Accounts receivable, beginning of the year	\$ 3,475,307	\$ 3,257,461
Accounts receivable, end of the year	3,951,034	3,475,307

Significant changes in contract liabilities during the years ended June 30, 2024 and 2023, are as follows:

	<b>2024</b>	<b>2023</b>
Balance, beginning of year	\$ 1,500,560	\$ 2,057,622
Effects of		
Revenue recognized that was included in the contract liability balance at the beginning of the period	(1,500,560)	(2,057,622)
Increases due to cash received, excluding amounts recognized as revenue during the period	1,598,637	1,500,560
	<u>\$ 1,598,637</u>	<u>\$ 1,500,560</u>



**Linfield University**  
**Notes to Consolidated Financial Statements**  
**June 30, 2024 and 2023**

**Note 3. Net Assets**

	<b>2024</b>	<b>2023</b>
<b>Without Donor Restrictions</b>		
Internally designated purposes (A)	\$ 9,173,709	\$ 9,051,200
Quasi-endowment funds (B)	13,529,676	16,361,438
Special annuities and institutional student loan funds	887,971	594,543
Net investment in plant	97,341,238	96,471,477
Institutional portion of Perkins/Nursing loan funds	671,732	613,561
Total net assets without donor restrictions	<u>121,604,326</u>	<u>123,092,219</u>
<b>With Donor Restrictions</b>		
Subject to the passage of time or expenditure for specified purpose		
Operational and academic projects, one-time scholarships, and pending endowments	5,357,984	4,810,075
Endowment distributions held for expenditure		
Instruction and operations	950,370	1,000,468
Student aid	2,476,974	2,775,137
Endowments		
Earnings subject to future appropriations		
Instruction and operations	18,278,866	14,852,556
Student aid	23,179,660	18,937,434
Perpetual endowment funds - original gift corpus		
Instruction and operations	28,342,222	28,034,229
Student aid	34,439,284	33,767,427
Split-interest agreements	17,408,688	17,264,915
Loan funds	189,857	182,932
Plant funds and designations for construction projects	102,843	326,959
Total net assets with donor restrictions	<u>130,726,748</u>	<u>121,952,132</u>
Total net assets	<u><u>\$ 252,331,074</u></u>	<u><u>\$ 245,044,351</u></u>

- (A) A variety of reserve or set aside funds. Examples are student course/lab fees, academic projects, grants, capital campaign, reserves (for faculty development and initiatives, wine education studies, technology, enrollment, academic and administrative equipment needs, library, student life/leadership programs, etc.), IPO fees, vehicles, building repairs, energy conservation projects, insurance, strategic initiatives, accreditation, etc.
- (B) The University's Board of Trustees (governing Board) through specific action has created internal use designations on all quasi-endowment net assets without donor restrictions. These internal use designations also follow the University's endowment investment and spending policy and thus annually support specific programs and operations that the University relies upon.

**Linfield University**  
**Notes to Consolidated Financial Statements**  
**June 30, 2024 and 2023**

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**Note 4. Net Assets Released From Donor Restrictions**

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by donors during the years ended June 30, 2024 and 2023, as follows:

	<u>2024</u>	<u>2023</u>
Purpose restrictions accomplished		
Instruction and operations	\$ 1,893,078	\$ 2,172,246
Academic support	661,906	308,978
Student services	682,545	2,044,830
Institutional support	128,693	442,223
Scholarships	2,869,971	3,102,983
Operations and maintenance of property and equipment	4,600	-
Purchase or renovation of plant assets	2,075,310	7,054,876
Annuity/trust/life income	193,952	334,487
	<u>                    </u>	<u>                    </u>
Total net assets released from restrictions	<u>\$ 8,510,055</u>	<u>\$ 15,460,623</u>

**Note 5. Tuition and Fees**

Student tuition and fee revenues for the years ended June 30, 2024 and 2023, consist of the following:

	<u>2024</u>	<u>2023</u>
Tuition and fees	\$ 80,553,832	\$ 80,336,474
Less		
Unfunded financial aid (institutional tuition discount)	(38,883,090)	(37,283,338)
Funded financial aid (endowed or other designations)	(3,249,911)	(3,468,991)
	<u>                    </u>	<u>                    </u>
Tuition and fees, net	<u>\$ 38,420,831</u>	<u>\$ 39,584,145</u>

**Linfield University**  
**Notes to Consolidated Financial Statements**  
**June 30, 2024 and 2023**

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**Note 6. Investments**

Investments at June 30 consisted of the following:

	<b>2024</b>	<b>2023</b>
Restricted cash and cash equivalents	\$ 18,642,121	\$ 9,797,677
Fixed income securities	22,009,867	23,987,147
Equity mutual funds		
Domestic	42,782,475	41,826,932
International	30,603,957	28,450,607
Marketable alternatives	10,100,598	12,236,944
Split-interest agreements and other assets with trustees		
Cash and cash equivalents held for reinvestment	33,867	107,579
Equity and mutual funds	2,277,718	2,305,582
Fixed income funds	1,355,934	1,401,982
	<u>127,806,537</u>	<u>120,114,450</u>
Real property held for investment	6,641,720	6,641,720
Other investments	<u>35,000</u>	<u>10,000</u>
Total investments	<u><u>\$ 134,483,257</u></u>	<u><u>\$ 126,766,170</u></u>

	<b>2024</b>	<b>2023</b>
Short-term investments	\$ 7,420,296	\$ 2,604,360
Long-term investments	<u>127,062,961</u>	<u>124,161,810</u>
	<u><u>\$ 134,483,257</u></u>	<u><u>\$ 126,766,170</u></u>

Certain net asset balances (Note 3) in the consolidated financial statements differ from investment balances below due to other assets, liabilities, or timing of transactions between funds. The values of total investments by function at June 30, 2024 and 2023, were as follows:

	<b>2024</b>	<b>2023</b>
Endowments with and without donor restrictions	\$ 117,634,573	\$ 111,899,560
Split-interest agreements	2,924,318	3,133,056
Bond funds and reserves	3,995,836	4,142,940
CD's and other bank investments	7,438,540	4,607,203
Assets invested in real estate, non-endowed	2,276,720	2,276,720
Other investments	<u>213,270</u>	<u>706,691</u>
Total investments	<u><u>\$ 134,483,257</u></u>	<u><u>\$ 126,766,170</u></u>

Endowment funds are in an investment pool that is professionally managed under the total return concept (unit fair value method), unless special considerations or donor stipulations require that they be held separately or unless in real estate holdings.

**Linfield University**  
**Notes to Consolidated Financial Statements**  
**June 30, 2024 and 2023**

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All split-interest agreement assets are invested with money managers separate from the endowment investment pool, unless special considerations require that they be held collectively. At June 30, 2024 and 2023, the split-interest agreement assets primarily consisted of equity and fixed income mutual funds.

The University signed a 40-year operating land lease on July 1, 2003, as the lessor for the land included in real property held for investment. The recorded value of this land is \$6,641,720 at June 30, 2024 and 2023. The University has leased 342,817 square feet of land. Income related to this arrangement was recorded in the amount of \$198,143 for the years ended June 30, 2024 and 2023. The minimum future rental income associated with this lease is as follows:

2025	\$	208,347
2026		208,347
2027		208,347
2028		208,347
2029		208,347
		<hr/>
	\$	<u>1,041,735</u>

Revenue from the lease is recognized ratably over the life of the lease.

## **Note 7. Disclosures About Fair Value of Assets**

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

- Level 1** Quoted prices in active markets for identical assets or liabilities
- Level 2** Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities
- Level 3** Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets

**Linfield University**  
**Notes to Consolidated Financial Statements**  
**June 30, 2024 and 2023**

***Recurring Measurements***

The following tables present the fair value measurements of assets recognized in the accompanying consolidated statements of financial position measured at fair value on a recurring basis and the level within the fair value hierarchy in which the fair value measurements fall at June 30, 2024 and 2023:

	2024				
	Fair Value Measurements Using				
	Total Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Investments Not Measured at Fair Value
		(Level 1)	(Level 2)	(Level 3)	
<b>Assets</b>					
<b>Investments</b>					
Cash and cash equivalents, restricted for investments in plant and cash and cash equivalents	\$ 18,642,121	\$ 18,642,121	\$ -	\$ -	\$ -
Domestic equity mutual funds					
Large cap mutual funds	36,460,160	36,460,160	-	-	-
Small cap mutual funds	6,322,315	6,322,315	-	-	-
International equity mutual funds					
Large cap mutual funds	24,143,046	24,143,046	-	-	-
Small cap mutual funds	3,114,965	3,114,965	-	-	-
Emerging markets	3,345,946	3,345,946	-	-	-
Fixed income securities					
Bond funds	22,009,867	22,009,867	-	-	-
Marketable alternatives	10,100,598	10,032,159	68,439	-	-
Split-interest agreements and other assets with trustees					
Fixed income funds	1,355,934	1,355,934	-	-	-
Equity funds	1,724,364	1,724,364	-	-	-
Mutual funds					
International growth funds	518,427	518,427	-	-	-
Real estate funds	34,927	34,927	-	-	-
Cash equivalents held for investment	33,867	33,867	-	-	-
Other investments measured at cost	35,000	-	-	-	35,000
Real property held for investment	6,641,720	-	-	-	6,641,720
Total investments	<u>\$ 134,483,257</u>				
<b>Assets Held in Trust by Others</b>	15,863,554	-	-	15,863,554	-

**Linfield University**  
**Notes to Consolidated Financial Statements**  
**June 30, 2024 and 2023**

	2023				
	Fair Value Measurements Using				
	Total Value	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Investments Not Measured at Fair Value
<b>Assets</b>					
<b>Investments</b>					
Cash and cash equivalents, restricted for investments in plant and cash and cash equivalents	\$ 9,797,677	\$ 9,797,677	\$ -	\$ -	\$ -
Domestic equity mutual funds					
Large cap mutual funds	35,328,977	35,328,977	-	-	-
Small cap mutual funds	6,497,955	6,497,955	-	-	-
International equity mutual funds					
Large cap mutual funds	21,851,746	21,851,746	-	-	-
Small cap mutual funds	3,020,496	3,020,496	-	-	-
Emerging markets	3,578,365	3,578,365	-	-	-
Fixed income securities					
Bond funds	21,030,733	21,030,733	-	-	-
Agency funds	2,956,084	2,956,084	-	-	-
Commercial paper	330	330	-	-	-
Marketable alternatives	12,236,944	12,168,505	68,439	-	-
Split-interest agreements and other assets with trustees					
Fixed income funds	1,401,982	1,401,982	-	-	-
Equity funds	1,758,005	1,758,005	-	-	-
Mutual funds					
International growth funds	475,480	475,480	-	-	-
Real estate funds	72,097	72,097	-	-	-
Cash equivalents held for investment	107,579	107,579	-	-	-
Other investments measured at cost	10,000	-	-	-	10,000
Real property held for investment	6,641,720	-	-	-	6,641,720
<b>Total investments</b>	<b>\$ 126,766,170</b>				
<b>Assets Held in Trust by Others</b>	15,819,232	-	-	15,819,232	-

(A) Real property held for investment is valued at the lower of cost or market and has therefore not been classified in the fair value hierarchy. The amount included above is intended to permit reconciliation of the fair value hierarchy to the amount presented in the consolidated statements of financial position.

Following is a description of the valuation methodologies and inputs used for assets measured at fair value on a recurring basis and recognized in the accompanying consolidated statement of financial position, as well as the general classification of such assets pursuant to the valuation hierarchy. There have been no significant changes in the valuation techniques during the year ended June 30, 2024. The University has no assets or liabilities measured at fair value on a nonrecurring basis.

### ***Investments***

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

### ***Assets Held in Trusts by Others***

Fair value is estimated at the present value of the future distributions expected to be received over the term of the agreement, which approximates the fair value of the underlying assets of the trusts. Due to the nature of the valuation inputs, the interest is classified within Level 3 of the hierarchy.

### ***Unobservable (Level 3) Inputs***

The following tables present quantitative information about unobservable inputs used in recurring Level 3 fair value measurements:

	<b>Fair Value at June 30, 2024</b>	<b>Valuation Technique</b>	<b>Unobservable Inputs</b>	<b>Range (Weighted- Average)</b>
Assets held in trust by others	\$ 15,863,554	Discounted cash flows	Discount rates Market return rates	3% - 7%
	<b>Fair Value at June 30, 2023</b>	<b>Valuation Technique</b>	<b>Unobservable Inputs</b>	<b>Range (Weighted- Average)</b>
Assets held in trust by others	\$ 15,819,232	Discounted cash flows	Discount rates Market return rates	3% - 7%

### ***Uncertainty of Fair Value Measurements***

The following is a description of the uncertainty of the fair value measurement at the reporting date from the use of significant unobservable inputs, if those inputs reasonably could have been different at the reporting date, the interrelationships between those inputs and other unobservable inputs used in recurring fair value measurement and of how those inputs might magnify or mitigate the effect of changes in the unobservable inputs on the fair value measurement:

### ***Assets Held in Trust by Others***

The significant unobservable inputs used in the fair value measurement of the University's assets held in trust by others are fair market values, discount rates, and market return rates. The discount rate of the trust is the interest rate utilized to discount future cash flows in a present value cash flow calculation. The discount rate used often represents the return market participants' would demand on similar assets. Therefore, significant increases (decreases) in the discount rate used would result in (lower) higher fair value measurement.

**Linfield University**  
**Notes to Consolidated Financial Statements**  
**June 30, 2024 and 2023**

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**Level 3 Reconciliation**

The University has been designated the irrevocable beneficiary of the income of a portion of certain perpetual trust funds held and administered by independent trustees. Perpetual trusts provide for the distribution of the net income of the trusts to the University; however, the University will never receive the assets of the trusts. The related assets are neither in the possession of nor under the control of the University, but are recorded at their estimated fair value. The amounts received or accrued from these trusts was \$1,429,505 and \$456,283 for 2024 and 2023, respectively, and is included in the change in value of split-interest agreements for the years then ended.

The University's interest in these irrevocable perpetual agreements held or controlled by a third party is classified as Level 3. The underlying investments in these trusts include marketable securities as well as directly held real estate. The value of the University's beneficial interest is primarily established using unobservable inputs, such as specific estimates of cash flows. Since the University has an irrevocable right to receive the income earned for the trust's assets, the fair value of the University's beneficial interest is estimated to approximate the fair value of the trust's assets.

The following is a reconciliation of the beginning and ending balances of recurring fair value measurements recognized in the accompanying consolidated statements of financial position using significant unobservable (Level 3) inputs:

	<b>Assets Held in Trusts by Others</b>
Balance, July 1, 2022	\$ 15,663,573
Dividends	3,174
Sales	(459,457)
Total realized and unrealized gains included in change in net assets	<u>611,942</u>
Balance, June 30, 2023	15,819,232
Dividends	2,689
Sales	(1,432,194)
Total realized and unrealized gains included in change in net assets	<u>1,473,827</u>
Balance, June 30, 2024	<u><u>\$ 15,863,554</u></u>

The unrealized gains for the assets held in trusts by others are included in the change in value of split-interest agreements on the statements of activities.



**Linfield University**  
**Notes to Consolidated Financial Statements**  
**June 30, 2024 and 2023**

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**Note 8. Accounts and Notes Receivable**

Accounts and notes receivable at June 30, 2024 and 2023, consist of the following:

	<b>2024</b>	<b>2023</b>
Accounts receivable		
Student accounts: Current students	\$ 2,415,550	\$ 2,216,510
Student accounts: Prior students	1,535,484	1,258,797
Other receivables	2,946,982	4,793,073
	<u>6,898,016</u>	<u>8,268,380</u>
Less allowance for doubtful accounts	(1,120,635)	(811,262)
Net accounts receivable	<u>5,777,381</u>	<u>7,457,118</u>
Notes receivable		
Perkins loans	822,034	1,100,293
Nursing student loans	3,173,995	3,040,028
	<u>3,996,029</u>	<u>4,140,321</u>
Less allowance for doubtful accounts	(315,469)	(134,886)
Net notes receivable	<u>3,680,560</u>	<u>4,005,435</u>
Total accounts and notes receivable, net	<u><u>\$ 9,457,941</u></u>	<u><u>\$ 11,462,553</u></u>

It is the University's obligation to collect loans made under the Perkins Loan Program (Program). The loans are payable, including interest at 5%, over approximately 10 years following University attendance. Principal payments, interest, and losses due to cancellation are shared by the University and the U.S. Government in proportion to their share of funds provided (approximately 83.6% of the funds have been provided by the U.S. Government). The Program provides for cancellation of the loans if the student is employed in certain occupations following graduation (employment cancellations). Such employment cancellations are absorbed in full by the U.S. Government.

**Note 9. Credit Quality of Financing Receivables**

The University's financing receivables consist of the Federal Perkins Loans balance (no longer revolving) and the revolving Federal Nursing Student Loans (NSL) for which the University acts as an agent for the federal Government. Student loans represent 1.2% and 1.3% of total assets of the University as of June 30, 2024 and 2023, respectively.

The availability of funds for loans under the Nursing loan program is dependent on reimbursements to the pool from repayments on outstanding loans. The federal liability portion (the University also contributed a smaller portion) of funds held in the federal loan programs at June 30, 2024 and 2023, was \$3,648,463 and \$4,145,937, respectively, and is ultimately refundable to the Government and is classified as a liability in the consolidated statements of financial position.

**Linfield University**  
**Notes to Consolidated Financial Statements**  
**June 30, 2024 and 2023**

Allowances for estimated losses are established based on prior collection experience and observed trends in the rate of default, analyzed periodically. Loan balances are written off when they are deemed to be permanently uncollectible. Since student loans under the Perkins loan program and NSL can be assigned to the Government when no longer collectible, a Perkins Loan write off will reduce a portion of the amount refundable to the Government.

The Perkins loan program authorization to make new loans ended with fiscal year 2018 and all of the federal portion of these funds will be returned to the federal Government as collected (paid back) from students.

Balances of financing receivables as of June 30, 2024 and 2023, are presented as follows:

	<b>2024</b>	<b>2023</b>
Perkins loans	\$ 822,034	\$ 1,100,293
Nursing student loans	3,173,995	3,040,028
	<u>3,996,029</u>	<u>4,140,321</u>
Less allowance for doubtful accounts	(315,469)	(134,886)
	<u><u>\$ 3,680,560</u></u>	<u><u>\$ 4,005,435</u></u>
Notes receivable, net		

For each class of financing receivables, the following table presents the performing and nonperforming portion of the financing receivables as of June 30, 2024 and 2023:

	<b>Performing</b>	<b>Nonperforming (Defaulted)</b>	<b>2024 Total</b>
Perkins loans	\$ 604,800	\$ 217,234	\$ 822,034
Nursing student loans	2,828,607	345,388	3,173,995
Total	<u><u>\$ 3,433,407</u></u>	<u><u>\$ 562,622</u></u>	<u><u>\$ 3,996,029</u></u>
	<b>Performing</b>	<b>Nonperforming (Defaulted)</b>	<b>2023 Total</b>
Perkins loans	\$ 971,786	\$ 128,507	\$ 1,100,293
Nursing student loans	2,955,688	84,340	3,040,028
Total	<u><u>\$ 3,927,474</u></u>	<u><u>\$ 212,847</u></u>	<u><u>\$ 4,140,321</u></u>

The aging of financing receivables as of June 30, 2024 and 2023, is presented as follows:

<b>2024 Aging</b>	<b>31-60</b>	<b>61-90</b>	<b>91+</b>	<b>Total Past Due</b>	<b>Total Current</b>	<b>Total</b>
Perkins loans	\$ 106,473	\$ 16,393	\$ 94,369	\$ 217,235	\$ 604,799	\$ 822,034
Nursing student loans	112,261	24,604	208,522	345,387	2,828,608	3,173,995
Total	<u><u>\$ 218,734</u></u>	<u><u>\$ 40,997</u></u>	<u><u>\$ 302,891</u></u>	<u><u>\$ 562,622</u></u>	<u><u>\$ 3,433,407</u></u>	<u><u>\$ 3,996,029</u></u>

**Linfield University**  
**Notes to Consolidated Financial Statements**  
**June 30, 2024 and 2023**

<b>2023 Aging</b>	<b>31-60</b>	<b>61-90</b>	<b>91+</b>	<b>Total Past Due</b>	<b>Total Current</b>	<b>Total</b>
Perkins loans	\$ 75,019	\$ 13,393	\$ 58,526	\$ 146,938	\$ 953,355	\$ 1,100,293
Nursing student loans	4,500	-	84,340	88,840	2,951,188	3,040,028
Total	<u>\$ 79,519</u>	<u>\$ 13,393</u>	<u>\$ 142,866</u>	<u>\$ 235,778</u>	<u>\$ 3,904,543</u>	<u>\$ 4,140,321</u>

**Note 10. Contributions Receivable**

Contributions receivable at June 30 consist of the following:

	<b>2024</b>	<b>2023</b>
Due within one year	\$ 1,769,766	\$ 2,550,342
Due in one to five years	213,000	1,090,913
Due in more than five years	-	66,969
	<u>1,982,766</u>	<u>3,708,224</u>
Less		
Unamortized discount (4.33% - 2024; 4.13% - 2023)	<u>(8,472)</u>	<u>(33,945)</u>
	<u>\$ 1,974,294</u>	<u>\$ 3,674,279</u>

**Note 11. Plant Assets**

Plant assets at June 30, 2024 and 2023, consist of the following:

	<b>2024</b>	<b>2023</b>
Land	\$ 11,867,862	\$ 11,867,862
Land improvements	12,974,812	12,956,382
Buildings	114,898,868	114,898,868
Building improvements	49,072,572	46,779,133
Furniture and equipment	25,762,870	25,525,686
Library holdings	14,124,745	14,086,115
Vehicles	960,841	960,841
Software	1,673,127	1,579,877
Artwork	156,436	138,630
Construction in progress	666,894	333,930
	<u>232,159,027</u>	<u>229,127,324</u>
Less accumulated depreciation	<u>(90,196,574)</u>	<u>(85,473,085)</u>
	<u>\$ 141,962,453</u>	<u>\$ 143,654,239</u>

The University purchased a property during 2023, which was included within assets held for sale on the consolidated statements of financial position at June 30, 2023. The University sold this property during 2024 for a loss of \$113,838.

**Linfield University**  
**Notes to Consolidated Financial Statements**  
**June 30, 2024 and 2023**

**Note 12. Bonds Payable**

At June 30, 2024 and 2023, bonds payable consisted of the following:

	<u>2024</u>	<u>2023</u>
Yamhill County Oregon Revenue and Refunding Bonds of 2020 Series A payable in principal payments between \$1,125,000 and \$2,915,000, interest payable semiannually at 4.00%, secured by investments and unrestricted revenue, due 2051. (A)	\$ 39,970,000	\$ 42,105,000
Yamhill County Oregon Revenue and Refunding Bonds of 2020 Series B payable in annual principal payments between \$765,000 and \$1,145,000, interest payable semiannually at 4.50%, secured by investments and unrestricted revenue, due serially to 2031. (B)	7,040,000	7,875,000
	<u>47,010,000</u>	<u>49,980,000</u>
Add unamortized bond premium	3,407,689	3,707,148
Less unamortized debt issuance costs and discounts	<u>(609,933)</u>	<u>(644,180)</u>
	<u>\$ 49,807,756</u>	<u>\$ 53,042,968</u>

(A) In October 2020, the University entered into a Loan Agreement with Yamhill County of the State of Oregon, to issue bonds with an aggregate principal amount of \$46,135,000 (the 2020A Bonds). A portion of the proceeds of the 2020A Bonds were used to defease and refund the 2010 Series A Bonds. The remainder of the funds (\$24,000,000) were placed in a Project Fund to be used by the University to reimburse or finance various building improvement and expansion projects. At June 30, 2024, there were no unspent 2020A Bond funds that will be used for the construction projects.

(B) In October 2020, the University entered into a Loan Agreement with Yamhill County of the State of Oregon, to issue bonds with an aggregate principal amount of \$9,440,000 (the 2020B Bonds). The proceeds of the 2020B Bonds were used to defease legally the State of Oregon – Oregon Facilities Authority Revenue Bonds, 2015 Series A (see B above).

Unamortized bond issuance costs associated with the 2020A and 2002B Bonds totaled \$609,933 and \$644,180 as of June 30, 2024 and 2023, respectively.

The future maturities of bonds payable excluding any amortization of bond issuance costs or discount/premium are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total Payments</u>
2025	\$ 3,100,000	\$ 2,196,769	\$ 5,296,769
2026	915,000	2,133,793	3,048,793
2027	960,000	2,091,100	3,051,100
2028	1,000,000	2,046,550	3,046,550
2029	1,050,000	1,999,863	3,049,863
Thereafter until 2051	<u>39,985,000</u>	<u>25,339,538</u>	<u>65,324,538</u>
	<u>\$ 47,010,000</u>	<u>\$ 35,807,613</u>	<u>\$ 82,817,613</u>

**Linfield University**  
**Notes to Consolidated Financial Statements**  
**June 30, 2024 and 2023**

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The above Series 2020A and 2020B Yamhill County Bonds contained certain covenants, which include the maintenance of certain financial ratios, as defined in the agreements.

**Note 13. Line of Credit**

The University has a \$5,000,000 revolving line of credit expiring on March 31, 2025. At June 30, 2024 and 2023, there were no monies borrowed against this unsecured line. Interest varies with the prime rate plus 0.25% and is payable monthly. The prime rate was 8.50% and 8.25% at June 30, 2024 and 2023, respectively.

**Note 14. Retirement Plan**

The University has a defined-contribution retirement plan for all eligible staff and faculty. The plan provides for employee deferrals and for contributions by the University. Effective October 1, 2020, the University suspended contributions to the defined contribution retirement plan. Effective October 1, 2021, the President and Board of Trustees authorized resumption of University contributions to the defined-contribution retirement plan at a rate of 3% for all eligible staff and faculty. All employees hired on or after July 1, 2019, have a five-year vesting schedule of twenty percent (20%) per year from the date of hire. The University's contributions totaled \$659,470 and \$654,131 in fiscal years 2024 and 2023, respectively.

**Note 15. Auxiliary Enterprises**

Auxiliary enterprises consist of food service, bookstore operations, residence life, and hosting of camps and conferences.

The University has entered into an agreement for Bookstore Services. During the term of the agreement with an expiry date of June 30, 2027, the University provides space to operate a bookstore. Barnes & Noble pays the University commissions of bookstore and First Day ® and Digital Product gross sales, textbook scholarships, and signing bonuses.

The University has an ongoing contract with Sodexo Management, Inc. for the University's food service operations.

Certain expenses for the operation and maintenance of the University's physical plant have been allocated between education and general and auxiliary enterprises based on a square footage allocation of campus space. Interest has also been allocated to auxiliary enterprises for the portion that was incurred for food service and residence life facilities.

## **Note 16. Endowment Funds**

The University's endowment consists of approximately 400 individual funds established for a variety of purposes including both donor-restricted endowment funds and funds designated by the board of trustees to function as endowments. Net assets associated with endowment funds, including funds designated by the board of trustees to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

### **(a) Interpretation of Relevant Law**

The Board of Trustees of the University has interpreted the *Uniform Prudent Management of Institutional Funds Act of 2007* (Act) as requiring the preservation of the fair value of the original gift as of the gift date of the donor restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the University classifies as 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, (c) earnings from the endowments until those amounts per the endowment agreements are appropriated for expenditure by the University in a manner consistent with the standard of prudence prescribed by the Act, and (d) accumulations to the permanent endowment made in accordance with the direction (if any) of the applicable donor gift instrument at the time the accumulation is added to the fund.

In accordance with the Act, the University permits spending from underwater endowment funds in accordance with the prudent measures required under the law.

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

1. The duration and preservation of the fund
2. The purposes of the University and the donor restricted endowment fund
3. General economic conditions
4. The possible effect of inflation and deflation
5. The expected total return from income and the appreciation of investments
6. Other resources of the University
7. The investment policies of the University

Endowment net assets consist of the following at June 30, 2024 and 2023, excluding split-interest agreement funds:

	<b>2024</b>		
	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
Donor-restricted endowment funds			
Instruction and operations	\$ -	\$ 46,621,088	\$ 46,621,088
Student aid	-	57,618,944	57,618,944
Board-designated endowment funds	13,529,676	-	13,529,676
Total endowment net assets	<u>\$ 13,529,676</u>	<u>\$ 104,240,032</u>	<u>\$ 117,769,708</u>

**Linfield University**  
**Notes to Consolidated Financial Statements**  
**June 30, 2024 and 2023**

	<b>2023</b>		
	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
Donor-restricted endowment funds			
Instruction and operations	\$ -	\$ 42,886,785	\$ 42,886,785
Student aid	-	52,683,961	52,683,961
Contributions receivable	-	20,900	20,900
Board-designated endowment funds	16,361,438	-	16,361,438
 Total endowment net assets	 \$ 16,361,438	 \$ 95,591,646	 \$ 111,953,084

Changes in endowment net assets for the years ended June 30, 2024 and 2023, are as follows, excluding balances associated with annuities and trusts:

	<b>2024</b>		
	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
Endowment net assets beginning of year	\$ 16,361,438	\$ 95,591,646	\$ 111,953,084
Investment return			
Investment and other income	506,432	3,183,384	3,689,816
Net appreciation	1,336,733	7,628,352	8,965,085
Total investment return	1,843,165	10,811,736	12,654,901
Contributions	-	1,421,961	1,421,961
Appropriation of endowment assets for expenditure	(4,662,431)	(3,597,807)	(8,260,238)
Other changes	(12,496)	12,496	-
 Endowment net assets, end of year	 \$ 13,529,676	 \$ 104,240,032	 \$ 117,769,708

	<b>2023</b>		
	<b>Without Donor Restrictions</b>	<b>With Donor Restrictions</b>	<b>Total</b>
Endowment net assets, beginning of year	\$ 15,523,429	\$ 89,142,981	\$ 104,666,410
Investment return			
Investment and other income	597,990	3,588,185	4,186,175
Net appreciation	944,050	5,377,046	6,321,096
Total investment return	1,542,040	8,965,231	10,507,271
Contributions	-	880,540	880,540
Appropriation of endowment assets for expenditure	(679,232)	(3,596,532)	(4,275,764)
Other changes	(24,799)	199,426	174,627
 Endowment net assets, end of year	 \$ 16,361,438	 \$ 95,591,646	 \$ 111,953,084

(b) Return Objectives and Risk Parameters

Endowment and other Board-designated funds are invested on the basis of a total return policy to provide income and to realize appreciation on invested assets. Under this policy, a portion of capital gains, in addition to investment income, can be used to support operations. In certain circumstances, the Board of Trustees has authorized spending from endowment funds that have a fair value less than the historical gift value. In all cases, authorized spending amounts are utilized in accordance with donor-imposed restrictions on the use of income earned by the endowment funds.

The University has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor restricted funds that the organizations must hold in perpetuity or for a donor specified period as well as board-designated funds. Under this policy, as approved by the board of trustees, the endowment assets are invested in a manner that is intended to produce results that exceed the price and yield results of a custom index composed of 35% Russell 3000 index, 25% of the MSCI ACWI Ex U.S. IMI index, 20% Barclays U.S. Aggregate Bond index, 15% Custom Marketable Alternatives Index, and 5% of Linfield's Real Estate actual return, while assuming a moderate level of investment risk. The primary objective is to achieve a total return that exceeds the combination of the annual withdrawal per the Endowment's spending policy, the effect of inflation, and management fees. The board recognizes and acknowledges prudent risk must be assumed in order to achieve these long-term investment objectives.

(c) 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 targets a diversified asset allocation that places a greater emphasis on investments in equities to achieve its long-term return objective within prudent risk constraints.

(d) Spending Policy and How the Investment Objectives Relate to Spending Policy

The University has a policy of appropriating for distribution each year 4.5% of its endowment funds' average fair value using the prior 20 quarters through the calendar year-end preceding the fiscal year in which the distribution is planned. In establishing this policy, the University considered the long term expected return on its endowment. The primary objective is to achieve a total return that exceeds the combination of the annual withdrawal per the Endowment's spending policy, the effect of inflation and management fees. The board recognizes and acknowledges prudent risk must be assumed in order to achieve these long-term investment objectives. This is consistent with the University's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term as well as to provide additional real growth through new gifts and investment return.

At June 30, 2024 and 2023, the spending rate adopted by the University was 4.5% of a 20 quarter moving average market value of pooled net assets with the allocation of earned income made annually.

Substantially all investments of the University held for endowment are pooled for investment purposes. Income earned on endowment fund investments is allocated on the basis of each fund's proportionate interest in the pooled investment portfolio.



(e) Underwater Endowments – Funds With Deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or the Act requires the University to retain as a fund of perpetual duration. If losses reduce the assets of a donor-restricted endowment fund below the donor-restricted corpus, it reduces total net assets with donor restrictions. At June 30, 2024 and 2023, funds with original gift values of \$722,889 and \$634,610; fair values of \$490,572 and \$609,121; and deficiencies of \$232,317 and \$25,489, respectively, were reported in net assets with donor restrictions.

The University's policy regarding spending from Underwater Endowments is "For underwater endowments with market values less than the restricted gift book value, the University will continue to spend at the spending rate above, but will monitor the underwater endowments annually at June 30." There have been no changes to that policy during the current fiscal year and the University followed the policy.

**Linfield University**  
**Notes to Consolidated Financial Statements**  
**June 30, 2024 and 2023**

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**Note 17. Liquidity and Availability**

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of the consolidated statement of financial position date, comprise the following:

	<b>2024</b>	<b>2023</b>
Total assets	\$ 315,258,441	\$ 311,444,630
Less plant assets and other non-financial assets	(160,572,409)	(161,141,517)
Financial assets, at year-end	<u>154,686,032</u>	<u>150,303,113</u>
Less those unavailable for general expenditures within one year, due to		
Contractual or donor-imposed restrictions		
Donor-restricted endowment	(104,240,032)	(95,591,646)
Split-interest agreements	(2,809,494)	(3,026,128)
Loan funds	(189,857)	(182,932)
Other donor-imposed restrictions	(8,785,328)	(8,585,680)
Board or internal designations		
Quasi-endowment fund, net of anticipated draw	(12,902,499)	(14,912,339)
Special annuities and institutional loan funds	(887,971)	(594,543)
Investments held in required bond reserves	(3,995,836)	(4,142,940)
Noncurrent assets		
Accounts and notes receivable	(4,324,412)	(4,313,406)
Interest receivable	(68,867)	(51,110)
Contributions receivable and plant funds designated for capital	<u>(100,234)</u>	<u>(370,949)</u>
	<u><u>\$ 16,381,502</u></u>	<u><u>\$ 18,531,440</u></u>

The University seeks to maintain financial assets consisting of cash and short-term investments on hand to meet 60 to 90 days of normal operating expenses, which are, on the average approximately \$5.2 million per month (30 days). While typically June 30 and December 31 are low points in the University's cash flow cycle due to the majority of tuition dollars coming in during August – September and January – February, the recent bond financing, government institutional grants, and other factors had a positive impact on availability.

As part of its liquidity management, the University invests cash in excess of daily requirements in various short-term investments including multiple certificates of deposit up to \$250,000 each and short-term treasury instruments. This is handled through a banking trust/custody arrangement and the funds have daily liquidity. Also, the University's quasi-endowment funds are invested mostly in institutional mutual funds that have daily liquidity. Although the University does not normally spend from its quasi-endowment other than amounts appropriated for general expenditure as part of its annual budget approval and appropriation process, amounts from its quasi-endowment have been and could be made available, if necessary, through board action, but that would reduce future income to the University's operating budget and other programs.

In addition, the University maintains a \$5 million line of credit that is available in the event of an unexpected liquidity event, but has not been used in over 10 years. The University has used a disciplined budget approach which has allowed accumulation of some reserves for unforeseen events or revenue declines and these have been very useful.

## **Note 18. Commitments and Contingencies**

### ***Litigation***

In the normal course of business, the University is, from time to time, subject to allegations that may or do result in litigation. The University evaluates such allegations by conducting investigations to determine the validity of each potential claim. Based upon the advice of counsel, management records an estimate of the amount of ultimate expected loss, if any, for each of these matters. Events could occur that would cause the estimate of ultimate loss to differ materially in the near term.

### ***Contributions***

Approximately 55% and 83% of contributions receivable was from one donor and two donors at June 30, 2024 and 2023, respectively.

Approximately 15% and 27% of contribution revenue was from one donor and two donors in 2024 and 2023, respectively.

The University has contributions receivable of approximately \$226,000 and \$152,000 from related parties at June 30, 2024 and 2023, respectively.

### ***Investments***

The University invests in various investment securities. Investment securities are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with certain investment securities, it is at least reasonably possible that changes in values of investment securities will occur in the near term and that such changes could materially affect the investment amounts reported in the statements of consolidated financial position.

## **Note 19. U.S. Department of Education Financial Responsibility Ratio Information**

The following information is required by the U.S. Department of Education for the year ended June 30, 2024:

	<b>2024</b>
Property, plant, and equipment, net of accumulated depreciation pre-implementation	\$ 84,254,191
Property, plant, and equipment, net of accumulated depreciation post-implementation with outstanding debt for purchase	31,989,931
Property, plant, and equipment, net of accumulated depreciation post-implementation without outstanding debt for purchase	25,051,437
Long-term debt obtained for long-term purposes - pre-implementation	23,590,000
Long-term debt obtained for long-term purposes - post-implementation for capital	26,217,756
Net assets with donor restrictions - restricted in perpetuity	79,685,981
Annuities and life income funds with donor restrictions	1,565,758
Total revenues and gains without donor restrictions	66,421,438
Total expenses and losses without donor restrictions	68,023,169

**Note 20. Employee Retention Credit**

The CARES Act subsequently expanded under the *Consolidated Appropriations Act* (CAA) and contained a business relief provision known as the Employee Retention Credit (ERC), a refundable payroll tax credit for “qualified wages” paid to retain full-time employees. Employers qualified either under a gross receipts decline test or a partial suspension of operations based on a government mandate. At June 30, 2023, the University had recorded a receivable of \$2,737,760, which is included within accounts and notes receivable in the consolidated statements of financial position at June 30, 2023. This amount, along with interest of \$126,386, was received in July 2023. There were no amounts receivable under this program as of June 30, 2024.

**Note 21. Subsequent Events**

Subsequent events have been evaluated through December 20, 2024, which is the date the consolidated financial statements were issued.