CHATHAM UNIVERSITY
Pittsburgh, Pennsylvania

Financial Statements
For the years ended June 30, 2024 and 2023

and Independent Auditor's Report Thereon

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INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Chatham University
Pittsburgh, Pennsylvania

Opinion

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

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

Basis for Opinion

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

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.

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the 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.

Schneider Downs & Co., Inc.

Pittsburgh, Pennsylvania
October 17, 2024

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CHATHAM UNIVERSITY

STATEMENTS OF FINANCIAL POSITION

	June 30 2024	June 30 2023
ASSETS		
Cash and cash equivalents	$ 3,895,492	$ 3,601,509
Student accounts receivable (net of allowance for credit losses of $1,031,000 and $1,113,000 as of June 30, 2024 and 2023, respectively)	767,431	1,012,254
Contributions receivable (net of allowance for doubtful accounts of $60,000 and $51,000 as of June 30, 2024 and 2023 respectively)	871,774	3,112,022
Other receivables	2,419,029	7,067,259
Student loans receivable (net of allowance for credit losses of $460,000 and $286,000 as of June 30, 2024 and 2023, respectively)	186,155	148,089
Investments	75,719,268	74,816,353
Assets held in trust by others	4,622,236	4,291,857
Deferred compensation deposits	834,529	927,148
Prepaid expenses and other assets	653,896	1,037,068
Land, buildings and equipment, net	115,340,017	121,281,849
Total Assets	$ 205,309,827	$ 217,295,408
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts payable	$ 4,559,199	$ 4,597,612
Accrued liabilities and other	5,069,700	4,819,435
Student deposits and deferred revenues	2,793,767	4,490,918
Finance lease obligations	5,252,291	5,770,487
Lines of credit	3,257,637	8,257,637
Bonds and notes payable, net	53,417,295	56,503,713
Advances from federal government for student loans	844,624	847,824
Total Liabilities	75,194,513	85,287,626
NET ASSETS		
Without donor restrictions:		
Board-Designated for Investment	6,253,745	2,415,419
Undesignated	9,466,002	11,977,474
Total Net Assets Without Donor Restrictions	15,719,747	14,392,893
With donor restrictions	114,395,567	117,614,889
Total Net Assets	130,115,314	132,007,782
Total Liabilities And Net Assets	$ 205,309,827	$ 217,295,408

See notes to financial statements.

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CHATHAM UNIVERSITY

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

	2024		
	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES AND OTHER ADDITIONS			
Tuition and fees	$ 75,608,739	$ -	$ 75,608,739
Scholarships	(29,993,795)	-	(29,993,795)
Tuition and fees, net	45,614,944	-	45,614,944
Auxiliary enterprises revenues	8,602,706	-	8,602,706
Federal and state grants and contracts	274,905	864,606	1,139,511
Private gifts and grants	3,419,150	2,071,920	5,491,070
Interest and dividends	168,247	1,202,569	1,370,816
Total Revenues And Other Additions	58,079,952	4,139,095	62,219,047
NET ASSETS RELEASED FROM RESTRICTIONS:	13,819,606	(13,819,606)	-
Total Revenues And Other Additions And Net Assets Released From Restrictions	71,899,558	(9,680,511)	62,219,047
EXPENSES AND OTHER DEDUCTIONS			
Program Expenses:			
Instruction	28,894,315	-	28,894,315
Library	2,577,473	-	2,577,473
Student services	18,188,828	-	18,188,828
Public service	1,674,527	-	1,674,527
Total Program Expenses	51,335,143	-	51,335,143
Administrative and general	14,172,816	-	14,172,816
Auxiliary enterprises expenses	6,152,576	-	6,152,576
Total Expenses And Other Deductions	71,660,535	-	71,660,535
Changes in Net Assets - Operating	239,023	(9,680,511)	(9,441,488)
OTHER CHANGES IN NET ASSETS			
Net assets released from restrictions related to land, buildings and equipment	28,753	(28,753)	-
Gain on disposal of land, buildings and equipment	252,021	-	252,021
Net unrealized and realized gains (losses) on investments	254,193	7,042,806	7,296,999
Transfers, net	552,864	(552,864)	-
Employee Retention Credit revenue	-	-	-
Changes in Net Assets - Non-Operating	1,087,831	6,461,189	7,549,020
Total Changes In Net Assets	1,326,854	(3,219,322)	(1,892,468)
NET ASSETS			
Beginning of year	14,392,893	117,614,889	132,007,782
End of year	$ 15,719,747	$ 114,395,567	$ 130,115,314

2023		
Without Donor Restrictions	With Donor Restrictions	Total
$ 73,153,273	$ -	$ 73,153,273
(28,139,715)	-	(28,139,715)
45,013,558	-	45,013,558
9,851,588	10,402	9,861,990
290,675	656,125	946,800
2,120,144	5,721,176	7,841,320
130,039	1,148,048	1,278,087
57,406,004	7,535,751	64,941,755
5,373,701	(5,373,701)	-
62,779,705	2,162,050	64,941,755
28,484,255	-	28,484,255
2,605,896	-	2,605,896
20,554,390	-	20,554,390
1,918,722	-	1,918,722
53,563,263	-	53,563,263
15,770,208	-	15,770,208
6,197,794	-	6,197,794
75,531,265	-	75,531,265
(12,751,560)	2,162,050	(10,589,510)
181,250	(181,250)	-
641,511	-	641,511
(117,872)	4,067,305	3,949,433
6,083,375	-	6,083,375
6,788,264	3,886,055	10,674,319
(5,963,296)	6,048,105	84,809
20,356,189	111,566,784	131,922,973
$ 14,392,893	$ 117,614,889	$ 132,007,782

See notes to financial statements.

CHATHAM UNIVERSITY

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

	2024	2023
CASH FLOWS FROM OPERATING ACTIVITIES		
Changes in net assets	$ (1,892,468)	$ 84,809
Adjustments to reconcile changes in net assets to net cash provided by (used in) operating activities:		
Depreciation and amortization	9,035,340	6,532,223
Gain on disposal of land, buildings and equipment	(252,021)	(614,511)
Net unrealized and realized gains on investments	(6,966,620)	(3,722,151)
Change in value of assets held in trust by others	(330,379)	(227,282)
Contributions restricted for long-term investments	(720,440)	(1,795,800)
Change in allowance for credit losses	(72,967)	3,422
Changes in assets and liabilities:		
Student accounts receivable	327,156	(175,456)
Contributions receivable	2,230,882	(1,166,637)
Other receivables	4,648,230	(6,238,520)
Prepaid expenses and other assets	383,172	(293,941)
Deferred compensation deposits	92,619	(85,605)
Accounts payable, accrued liabilities and other	161,048	(3,806)
Student deposits and deferred revenues	(1,697,151)	168,084
Net Cash Provided by (Used In) Operating Activities	4,946,401	(7,535,171)
CASH FLOWS FROM INVESTING ACTIVITIES		
Construction or acquisition of land, buildings and equipment, net of construction payables	(1,178,251)	(6,576,760)
Proceeds from sale of investments	8,480,356	38,569,424
Purchase of investments	(2,416,651)	(20,597,116)
Repayments of loans by students and others	(38,066)	91,243
Proceeds from sale of land, buildings and equipment	-	614,511
Net Cash Provided By Investing Activities	4,847,388	12,101,302
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from contributions restricted for long-term investment	720,440	1,795,800
Payments on long-term debt	(3,086,122)	(5,421,802)
Proceeds from lines of credit	1,300,000	1,757,637
Payments on lines of credit	(6,300,000)	-
Payments on finance lease obligations	(2,134,124)	(1,981,275)
Net Cash Used In Financing Activities	(9,499,806)	(3,849,640)
Net Increase In Cash And Cash Equivalents	293,983	716,491
CASH AND CASH EQUIVALENTS		
Beginning of year	3,601,509	2,885,018
End of year	$ 3,895,492	$ 3,601,509

	2024	2023
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION		
Cash paid during the year for interest	$ 3,156,086	$ 2,912,224
SUPPLEMENTAL SCHEDULE OF NONCASH INVESTING AND FINANCING ACTIVITIES		
Capital lease obligations incurred for purchases of equipment	$ -	$ 3,038,255
Construction payables outstanding for construction-in-progress	$ 17,452	$ 63,101
Lease liabilities settled in connection with building acquired through mortgage	$ -	$ 1,783,190
The proceeds of the 2022 series bonds used to refinance the 2012 series bonds	$ -	$ 22,220,000

See notes to financial statements.

NOTE 1 - ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Chatham University is a nonprofit educational institution organized under the laws of Pennsylvania.

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

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

Use of Estimates - The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

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

> Net Assets Without Donor Restrictions - Net assets that are not subject to donor-imposed stipulations, including contractual obligations imposed by federal, state and local governmental agencies.
>
> Net Assets With Donor Restrictions - Net assets that are subject to donor-imposed or legal restrictions that may or will be met either by actions of the University and/or passage of time or may be maintained permanently by the University. Generally, the donors of these assets permit the University to use all or part of the income earned on related investments for general or specific purposes.

Revenue Recognition - The University's revenue streams consist primarily of student tuition and fees, room and board and rental income. Under Financial Accounting Standards Board (FASB) Accounting Standards Codification (Codification) Topic 606, revenue is recognized in accordance with a five-step model, which includes: identifying the contracts with customers; identifying the separate performance obligations; determining the transaction price; allocating the transaction price to the separate performance obligations; and recognizing revenue when each performance obligation is satisfied.

Revenue reported on the statements of activities and changes in net assets that was derived from contracts with customers include net tuition and fees, room and board and rental income. Other sources of revenue from contracts with customers include the bookstore and day camps. Revenues from government grants, private gifts and grants, investment income, endowment income, net realized and unrealized gains on operating and endowment investments are not derived from contracts with customers.

The provisions of Topic 606 are applied by the University on an individual-contract-with-a-customer basis. As a practical expedient, the University applies this Topic to a portfolio of contracts with similar characteristics for the tuition and fees and room and board revenue streams. The University expects that the effects of applying this guidance to the portfolios would not significantly differ from applying the guidance to the individual contracts within the portfolio.

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

Tuition and fees revenue is presented separately on the statements of activities and changes in net assets under its own caption and is derived from delivering academic programs to students. The University further disaggregates tuition and fees revenue between undergraduate and graduate students. Gross undergraduate tuition and fees revenue was approximately $52,065,000 and $47,939,000 for the years ended June 30, 2024 and 2023, respectively. Gross graduate tuition and fees revenue was approximately $23,544,000 and $25,214,000 for the years ended June 30, 2024 and 2023, respectively. Tuition and fees revenue is recognized over time as the academic programs are delivered to students, because the students simultaneously receive and consume the benefits provided by the University. Scholarships and other student aid reduce the amount of revenue recognized. At the beginning of each academic term, there is a two-week period in which students may adjust their courseload or withdraw completely. Refunds issued to students reduce the amount of revenue recognized and are recorded as refunds occur and become known. Payments for tuition and fees are due approximately one week prior to the start of the academic term. Payments for academic programs that extend past June 30, 2024 and 2023, respectively, are recognized over time and are included in deferred revenue on the statements of financial position as of June 30, 2024 and 2023.

Room and board revenue is presented on the statements of activities and changes in net assets under auxiliary enterprises revenues and is derived from providing on-campus lodging and meal plans to students enrolled in academic programs. Room and board revenue is recognized over time as the lodging services and meal plans are delivered to enrolled students, because the students simultaneously receive and consume the benefits provided by the University. Except for those who have applied for and have been granted a residency exemption, all students who have completed less than four terms of study are required to reside in on-campus housing for their first two years on campus. Payments for room and board that extend past June 30, 2024 and 2023, respectively, are recognized over time and are included in deferred revenue on the statements of financial position at June 30, 2024 and 2023. Contract assets were $842,000 as of July 1, 2022.

Receivables from students, which include amounts derived from tuition and fees and room and board, are presented separately on the statements of financial position, less an allowance for credit losses assessed on a portfolio basis.

Contract liabilities consist of student and day camp deposits and deferred revenue. Student and day camp deposits consist of approximately $139,000, $1,588,000 and $1,546,000, related to advanced deposits by students as of June 30, 2024, 2023 and 2022, respectively. The caption deferred revenue on the statements of financial position consists primarily of tuition of approximately $2,716,000, $2,709,000 and $2,698,000 as of June 30, 2024, 2023 and 2022, respectively.

At June 30, 2024 and 2023, the remaining performance obligations are the delivery of academic programs under the tuition and fees revenue stream, and the delivery of lodging and meal plans under the room and board revenue stream. The University applies the practical expedient in FASB Codification 606-10-50-14 and, therefore, does not disclose further information about remaining performance obligations that have original expected durations of one year or less. Additionally, there was no revenue recognized during the years ended June 30, 2024 and 2023, respectively, from performance obligations that were satisfied or partially satisfied in prior periods.

The timing and the satisfaction of performance obligations were determined through careful analysis of when the goods or services were transferred to and controlled by students. Most performance obligations are satisfied over time as customers simultaneously receive and consume the benefits provided by the University.

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

Performance obligations that are recognized over time generally use a semester-based recognition method, whereby the University believes faithfully depicts the transfer of goods and services to the customers. The transaction price is determined through Board of Trustee (Board) approval of tuition, mandatory fees and room and board budgets.

Revenues are reported as increases in net assets without donor restrictions unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions. Net unrealized and realized gains and losses on investments and other assets are reported as increases or decreases in non-operating net assets without donor restrictions unless their use is restricted by explicit donor stipulations or by law.

Expiration of Donor-Imposed Restrictions - The University follows the policy of reporting donor-imposed restricted contributions and endowment income whose restrictions are met in the same fiscal year as received as support with donor restrictions and then released. It is also the University's policy to account for donated long-lived assets and those acquired with gifts of cash restricted for such acquisitions as assets without donor restrictions when placed in service. Expirations of net assets with donor restrictions are reported as reclassifications to net assets without donor restrictions.

Cash and Cash Equivalents - For purposes of the statements of cash flows, the University considers all cash balances and short-term highly liquid investments with original maturities of three months or less to be cash equivalents. The University maintains, at various financial institutions, cash and cash equivalents that may at times exceed federally insured amounts.

Student Accounts Receivable - Student accounts receivable are reported at their outstanding principal balance, adjusted for any charge-offs, and net of the allowance for credit losses. Management's periodic evaluation of the adequacy of the allowance is based on the University's experience, adverse conditions that might affect the borrower's ability to pay and current economic conditions.

Contributions Receivable - Contributions receivable are recorded as revenue when an unconditional promise to give is received. These amounts, less an appropriate allowance for uncollectible amounts, are recorded at their estimated fair value as determined by the present value of estimated future cash flows. The discount on these amounts is computed using an appropriate discount rate commensurate with the risks involved. The discount rate used in 2024 and 2023 for new contributions was 4.00%. Amortization of the discount is included in contribution revenue in accordance with donor-imposed restrictions, if any. Conditional promises to give are recognized as income when the conditions are substantially met. An allowance for uncollectible contributions receivable is provided based on management's judgment, including such factors as past collection experience, missed payments or modification of payment terms, and creditworthiness of the donor.

Loans to Students - Loans to students under the Federal Perkins Loan Program (Perkins) are reported at their outstanding principal adjusted for any charge-offs and net of the allowance for credit losses. The availability of funds for loans under the Perkins is dependent on reimbursement to the pool from repayments on outstanding loans. The University recognizes interest, delinquency charges and other fees when earned and collectability is reasonably assured. Outstanding loans canceled under the program result in a reduction of the funds available for future loans and a decrease in the liability due to the government. The allowance for loan losses is increased by charges and decreased by charge-offs (net of recoveries). The University's periodic evaluation of the adequacy of the allowance is based on the University's loan loss experience, adverse situations that might affect the borrower's ability to repay and current economic conditions.

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

Loan balances are written off when they are deemed to be permanently uncollectible. Amounts past due as of June 30, 2023 and 2023 approximated $63,000 and $230,000, respectively.

The Perkins has expired and the University is required to assign outstanding Perkins loans in default greater than 24 months to the U.S. Department of Education (ED). The University began the process of assigning the Perkins loans to ED during the year ended June 30, 2022. The University is not required to liquidate its Perkins revolving funds due to the wind-down of Perkins. However, the University may choose to liquidate at any time in the future.

Investments - Investments in equity securities with readily determinable fair values, and all investments in debt securities, are reported at fair value, with realized and unrealized gains and losses included in the statements of activities and changes in net assets. Investments received by gift are recorded at fair value on the date of donation. Investment securities, in general, are exposed to various risks such as interest rate, credit and overall market volatility. Due to the level of risk associated with certain investment securities, changes in value may occur in the near term, and it is reasonably possible that such changes could materially affect the amounts reported in the statements of financial position.

Investments for which there is not an actively traded market are valued at fair value, as estimated by management. In estimating fair value, management takes into consideration valuations reported to the University by investment partnerships, the nature of the investments, current market conditions and other factors the University considers relevant. The University's interests in limited partnerships, such as private equity, hedge funds and real estate funds, are generally reported at the University's ownership interests' net asset value (NAV) in the funds reported by the fund managers, unless it is probable that all or a portion of the investment will be sold for an amount different from the estimated fair value. As of June 30, 2024 and 2023, the University had no plans to sell investments at amounts different from the estimated fair value of investments in limited partnerships. Because of inherent uncertainty of valuation in the absence of readily ascertainable market values, the estimated values of those investments could differ from the values that would have been used had a ready market existed for such investments or if the investments were realized, and the differences could be material. Such investments are, by their nature, generally considered to be long-term investments and are not intended to be liquidated on a short-term basis.

Interest and dividends from investments are included in investment income and are recognized when earned. Realized gains and losses on the sale of securities are recognized using the specific identification method at the time of the sale or redemption.

Assets Held in Trust by Others - The University has certain assets that consist of charitable gift annuities and unitrusts in the form of trusts held by a third party. For annuities and unitrusts, assets are invested and payments are made in accordance with the respective agreements. Revenue is recognized at the date the agreement is established, net of the liability for the present value of the estimated future payments.

For trusts held by a third party, the University has the irrevocable right, under the terms of the trust, to receive the income earned on the trust assets held in perpetuity, but never receives the assets held in the trust. Assets are recorded at the fair value unless facts indicate that the fair value of the beneficial interest differs from the fair value of the assets contributed. Contribution revenue for the perpetual trusts held by third parties is recognized when the University is notified of the trust's existence or the date on which the trust becomes irrevocable.

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

Land, Buildings and Equipment - Land, buildings and equipment are stated at cost at the date of acquisition or at fair value at the date of donation in the case of gifts. The University capitalizes interest expense on the construction of assets to the extent of borrowings related to the construction. There was no interest capitalized for the years ended June 30, 2024 and 2023. Depreciation is calculated on a straight-line basis over the estimated useful lives of the assets, which are 20 to 40 years for buildings and improvements, seven years for equipment and furniture and four years for vehicles. Gifts of long-lived assets are recorded as support without donor restrictions unless explicit donor stipulations specify how the donated assets must be used. The University releases contributions with donor restrictions for asset acquisitions when the asset is placed into service.

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

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

Advances from Federal Government for Student Loans - Advances from the federal government under the Federal Perkins Loan program are distributable to the federal government upon termination of the program and, thus, are reflected as a liability on the statements of financial position.

Self-Insured Liabilities - The University is self-insured for health insurance benefits. An individual stop-loss policy provides protection to the University for individual claims that exceed $100,000 per claim, and an aggregate stop-loss policy provides protection to the University for aggregate claims under the plan exceeding approximately $2.2 million based on current enrollment in the plan.

Fair Value Measurement - The University follows the FASB Codification topic Fair Value Measurement, which establishes a framework for measuring fair value and expands disclosures related to fair value measurements. The University has applied the provisions of the Fair Value Measurement topic to its recurring measurement. (See Note 4.)

Deferred Bond Financing Costs - Deferred bond financing costs represent the cost of issuing the variable rate demand bonds and are amortized over the life of the bonds using a method that approximates the interest method. The University presents deferred financing costs in the statements of financial position as a direct deduction from the carrying amount of the related debt liability.

Subsequent Events - Subsequent events are defined as events or transactions that occur after the statement of financial position date, but before the financial statements are issued or are available to be issued. Management has evaluated subsequent events through October 17, 2024, the date that the financial statements were issued.

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

Recently Adopted Accounting Pronouncements - In June 2016, the FASB issued Accounting Standards Update (ASU) No. 2016-13 Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments (ASU 2016-13), which provides new guidance regarding the measurement and recognition of credit impairment for certain financial assets. ASU 2016-13 seeks to provide financial statement users with more decision-useful information about the expected credit losses on financial instruments and other commitments to extend credit held by a reporting entity at each reporting date by replacing the incurred loss impairment methodology in current U.S. GAAP with a methodology that reflects expected credit losses and requires consideration of a broader range of reasonable and supportable information to inform credit loss estimates. The standard is effective for fiscal years beginning after December 15, 2022. The University adopted ASU 2016-13 as of July 1, 2023 with no significant impact to its financial statements.

NOTE 2 - LIQUIDITY AND AVAILABILITY

The University regularly monitors liquidity required to meet its operating needs and other contractual commitments, while also striving to maximize the investment of its available funds. The University has various sources of liquidity at its disposal, including cash and cash equivalents, marketable debt and equity securities and lines of credit.

For purposes of analyzing the resources available to meet general expenditures over a 12-month period, the University considers all expenditures related to its ongoing activities of teaching, research, and public service, as well as the conduct of services undertaken to support those activities to be general expenditures. Student loans receivable are not included in the analysis, as principal and interest on these loans are used solely to make new loans and are, therefore, not available to meet current operating needs.

In addition to financial assets available to meet general expenditures over the next 12 months, the University anticipates collecting sufficient revenue to cover general expenditures not covered by donor-restricted resources. Refer to the statements of cash flows, which identify the sources and uses of the University's cash.

Financial assets and liquidity resources available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of June 30, comprise the following:

	2024	2023
Cash and cash equivalents	$ 3,895,492	$ 3,601,509
Student accounts receivable, net	767,431	1,012,254
Contributions receivable, net	860,603	913,072
Other receivables	1,919,029	883,884
Employer retention credit (ERC) receivable	-	6,083,375
Anticipated endowment draw	4,456,000	2,400,000
Financial assets and liquidity resources available at June 30 for current use	$ 11,898,555	$ 14,894,094

NOTE 2 - LIQUIDITY AND AVAILABILITY (Continued)

It is the University's practice to actively manage cash flow to assist with maintaining a reasonable level of accounts payable balances, and to keep open invoice processing for a period of approximately two months after year-end. In addition, the University's revenues are seasonal in nature and tend to follow a traditional academic year schedule, thus cash is often at a low point during the months of June, July, November and December.

The University maintains a bank line of credit of $5 million (which was fully available at June 30, 2024) to support operations and the seasonality of revenues. At June 30, 2023 the line was fully drawn upon. The University entered into a line of credit with Parkhurst Dining, LLC (Parkhurst) of $3.5 million ($242,000 available at June 30, 2024 and 2023) to support dining hall renovations. Parkhurst meets the definition of a related-party due to its relationship with a Board officer.

The University's investment portfolio consists of donor-restricted funds, including endowments, and funds designated by the Board to be temporarily invested in the portfolio until they are needed for strategic or operational needs. Income from donor-restricted funds and endowments are available for general use, unless restricted for a specific purpose by the donor. The anticipated endowment draw represents the University's estimate of expected annual draw in the upcoming twelve-month period to support operations. While the University does not intend to spend other than the annual Board-approved spending rate from the endowment, Board designated funds included in the investment portfolio of approximately $6,254,000 and $2,415,000 as of June 30, 2024 and 2023, respectively could be made available to support operations if necessary.

A donor, who is a Board member, has authorized the University to release amounts from their endowed fund if the amount of their endowed fund exceeds $10,000,000 through the fiscal year ending June 30, 2027. As of June 30, 2024, the total market value of this endowed fund was approximately $15,658,000. The University intends to release from restriction approximately $5,658,000, which will be added to the University's Board designated for investment during the year ended June 30, 2025. In addition, The Board of the University has approved spending approximately $3,306,000 of the amount released during the year ending June 30, 2025.

NOTE 3 - INVESTMENTS

Investments stated at fair value as of June 30 consist of the following:

	2024	2023
Cash and cash equivalents	$ 5,777,321	$ 3,073,358
Fixed income	16,488,847	16,107,068
Equities	27,339,055	30,502,057
International funds	6,321,719	5,836,741
Limited partnerships	17,880,854	16,495,441
Real estate investment fund	1,911,472	2,801,688
Total investments	75,719,268	74,816,353
Assets held in trust by others	4,622,236	4,291,857
Total market value of investments	$ 80,341,504	$ 79,108,210

NOTE 3 – INVESTMENTS (Continued)

Investments at June 30 are composed of the following:

	2024	2023
Endowment and funds Board designated for investment	$ 75,624,216	$ 74,806,328
Assets held in trust by others	4,622,236	4,291,857
Annuity trust agreements	95,052	10,025
	$ 80,341,504	$ 79,108,210

The investment return, net of investment expenses, for the years ended June 30 is summarized in the following schedule:

	2024	2023
Dividends and interest	$ 1,370,816	$ 1,278,087
Net realized gain	281,936	17,615,205
Net unrealized gain (loss)	6,684,684	(13,893,054)
Net unrealized gain on assets held in trust by others	330,379	227,282
	$ 8,667,815	$ 5,227,520

NOTE 4 - FAIR VALUE MEASUREMENT

The Fair Value Measurement topic defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The topic requires disclosures that categorize assets and liabilities measured at fair value into three different levels, depending on the assumptions used in the valuation. Level 1 provides the most reliable measure of fair value, while Level 3 generally requires significant administration of judgment. Financial assets and liabilities are classified in their entirety based on the lowest level of input significant to the fair value measurement. The Fair Value Measurement hierarchy is defined as follows:

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

NOTE 4 - FAIR VALUE MEASUREMENT (Continued)

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

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

The carrying amount of cash and cash equivalents, student accounts receivable, contributions receivable, student loans receivable and accounts payable and accrued liabilities and other approximates their fair value due to the short-term nature of such instruments. The carrying amount of notes payable and bonds payable approximates fair value due to the interest rates on the notes compared to the current credit market.

The methods for valuing the University's investments, by significant category, are as follows:

Fixed Income, Equities and International Funds - Valued at the closing price reported on the active market on which the individual securities are traded.

Assets held in trust by others are valued based on the University's interest in the fair value of the underlying assets.

NOTE 4 - FAIR VALUE MEASUREMENT (Continued)

Set forth by level and within the fair value hierarchy, the University's investments at fair value as of June 30 are as follows:

	2024			
	Level 1	Level 2	Level 3	Total
Cash and cash equivalents	$ 5,777,321	$ -	$ -	$ 5,777,321
Fixed income	16,488,847	-	-	16,488,847
Equities	27,339,055	-	-	27,339,055
International funds	6,321,719	-	-	6,321,719
Assets held in trust by others	-	4,622,236	-	4,622,236
Total investments in the fair value hierarchy	$ 55,926,942	$ 4,622,236	$ -	60,549,178
Investments measured at NAV (a)				19,792,326
Total investments				$ 80,341,504

	2023			
	Level 1	Level 2	Level 3	Total
Cash and cash equivalents	$ 3,073,358	$ -	$ -	$ 3,073,358
Fixed income	16,107,068	-	-	16,107,068
Equities	30,502,057	-	-	30,502,057
International funds	5,836,741	-	-	5,836,741
Assets held in trust by others	-	4,291,857	-	4,291,857
Total investments in the fair value hierarchy	$ 55,519,224	$ 4,291,857	$ -	59,811,081
Investments measured at NAV (a)				19,297,129
Total investments				$ 79,108,210

(a) In accordance with FASB Codification Subtopic 820-10, certain investments measured at NAV per share (or its equivalent) as a practical expedient have not been classified in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of fair value hierarchy line items presented in the statements of financial position.

NOTE 4 - FAIR VALUE MEASUREMENT (Continued)

Investments measured at NAV primarily consist of the University's ownership in limited partnerships, alternative investments, commingled funds, and hedge funds. The valuation of alternative investments requires significant judgment due to the absence of quoted market prices, inherent lack of liquidity, heavy reliance on significant unobservable inputs and the long-term nature of such investments. These investments are valued initially at their transaction value, and subsequently adjusted to reflect expected exit values at the measurement date by utilizing assumptions that market participants would normally use to estimate a fair market value. These valuation adjustments include, but are not limited to, material changes in an organization's operations and/or financial performance, subsequent or anticipated rounds of equity financings, specific rights or terms associated with the investment (e.g., conversion features, liquidation preferences or restrictions), expected exit timing and strategy, industry valuations or comparable public companies, changes in economic conditions and changes in legal or regulatory environments. The University's interest in alternative investments contains some liquidity constraints, which are outlined in the table below. Depending on the investment, some of them are not easily transferrable and typically achieve liquidity over an extended period of time when and if the fund managers return invested capital or distribute proceeds realized from the underlying assets.

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

Category	June 30 2024	June 30 2023	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Limited partnerships	$ 17,880,854	$ 16,495,441	$ 8,608,000	None permitted upon final closing of the fund until liquidation of the funds	N/A
Real estate investment fund	1,911,472	2,801,688	-	Daily	None
	$ 19,792,326	$ 19,297,129	$ 8,608,000		

Realized gains and unrealized appreciation (depreciation) are included in net unrealized and realized gains on investments in the accompanying statements of activities and changes in net assets.

NOTE 5 - CONTRIBUTIONS RECEIVABLE

Contributions receivable at June 30 are as follows:

	2024	2023
Gross contributions outstanding	$ 990,413	$ 3,333,902
Less - unamortized discount	58,341	170,948
Less - allowance	60,298	50,932
	$ 871,774	$ 3,112,022
Amounts due in:		
Less than one year	$ 860,603	$ 1,134,952
One to five years	129,810	2,198,950
	$ 990,413	$ 3,333,902

NOTE 6 - LAND, BUILDINGS AND EQUIPMENT

Land, buildings and equipment, at cost, at June 30 are as follows:

	2024	2023
Buildings and improvements	$ 190,977,858	$ 188,316,507
Furniture and equipment	33,190,585	43,695,088
	224,168,443	232,011,595
Less - Accumulated depreciation and amortization	120,215,490	124,467,449
	103,952,953	107,544,146
Land	11,252,647	11,252,647
Construction-in-progress	134,417	2,485,056
	$ 115,340,017	$ 121,281,849

NOTE 7 - LINES OF CREDIT

The University has available a $5,000,000 demand line-of-credit agreement with a bank. The agreement is secured by certain real property, due on demand and bears interest at the bank's prime lending rate (8.25% at June 30, 2024 and 2023). There were $0 and $5,000,000 of borrowings outstanding at June 30, 2024 and 2023, respectively.

NOTE 7 - LINES OF CREDIT (Continued)

The University entered into a $3,500,000 line-of-credit agreement with Parkhurst. The agreement carries a maturity date of September 2032 and bears interest at 4.25%. There were $3,258,000 of borrowings outstanding at June 30, 2024 and 2023. The line-of-credit is collateralized by all equipment or other improvements purchased with the line-of-credit draws. Parkhurst meets the definition of a related-party due to its relationship with a Board officer.

NOTE 8 - BONDS AND NOTES PAYABLE

The bonds and notes payable balance at June 30 consists of the following:

	2024	2023
Series A of 2008	$ 10,000,000	$ 10,000,000
Series B of 2008	435,591	1,293,384
Series A of 2022	21,130,000	22,220,000
Phase I-B construction loan	12,166,457	12,998,818
Mortgage loans payable	8,563,673	8,789,025
Eastside phase II loan	1,080,242	1,160,859
	53,375,963	56,462,086
Plus - Unamortized premium	433,559	471,996
Less - Unamortized debt issuance costs	392,227	430,369
	$ 53,417,295	$ 56,503,713

Scheduled principal repayments are as follows:

Fiscal Year Ending June 30	Amount
2025	$ 3,409,576
2026	3,577,244
2027	3,728,551
2028	3,896,909
2029	4,066,948
Thereafter	34,696,735
	$ 53,375,963

NOTE 8 - BONDS AND NOTES PAYABLE (Continued)

a. Series A of 2008

On September 29, 2008, the McKeesport Industrial Development Authority issued $10,000,000 aggregate principal of its Tax-Exempt Revenue Note Series A of 2008 on behalf of the University. The Series A of 2008 Note was used by the University for the financing of the acquisition of the building and land adjacent to the University's Shadyside Campus and its subsequent partial renovation; financing the acquisition of the apartments for student residence adjacent to the University's Shadyside Campus; financing various capital facilities existing on the University's Shadyside Campus; financing renovations to the University's Eden Hall Campus; and payment of all or a portion of the costs incurred in connection with such financing. The Series A of 2008 Note bears an interest rate of 4.25%. Interest payments are required monthly. Principal payments are required monthly, with the first payment due on January 1, 2025, and the final payment due on October 1, 2033.

Interest expense on the Series A of 2008 Notes for the years ended June 30, 2024 and 2023 was $425,000.

The Series A of 2008 Notes are secured by facilities of the University. The University is subject to certain nonfinancial covenants and is required to make full and timely payment of the principal of and interest on all indebtedness of the University, whether now existing or hereafter arising, and comply with all covenants and agreements set forth in agreements evidencing indebtedness of the University.

b. Series B of 2008

On September 29, 2008, the McKeesport Industrial Development Authority issued $10,000,000 aggregate principal of its Taxable Revenue Note Series B of 2008 on behalf of the University. The Series B of 2008 Note was used by the University for the financing of the acquisition of the building and land adjacent to the University's Shadyside campus and its subsequent partial renovation; financing the acquisition of the apartments for student residence adjacent to the University's Shadyside campus; financing various capital facilities existing on the University's Shadyside campus; financing renovations to the University's Eden Hall Farm campus; and payment of all or a portion of the costs incurred in connection with such financing. The Series B of 2008 Note bears an interest rate of 6.83%. Interest payments are required monthly. Principal payments are required monthly. The final payment is due on December 31, 2024.

Interest expense on the Series B of 2008 Notes for the years ended June 30, 2024 and 2023 was $57,000 and $95,000, respectively.

The Series B of 2008 Notes are secured by facilities of the University. The University is subject to certain nonfinancial covenants and is required to make full and timely payment of the principal of and interest on all indebtedness of the University, whether now existing or hereafter arising, and comply with all covenants and agreements set forth in agreements evidencing indebtedness of the University.

c. Series A of 2022

On July 6, 2022, the Allegheny County Higher Education Building Authority issued $22,220,000 aggregate principal of its University Revenue Bonds Series A of 2022 on behalf of the University for the purpose of refunding of the 2012 Series A Bonds. The Series A of 2022 Bonds bear interest at rates ranging from 5.0% to 5.25%. Interest payments are required semiannually. Principal payments are required on September 1 of each year, with the final payment due on September 1, 2035.

NOTE 8 - BONDS AND NOTES PAYABLE (Continued)

Interest expense on the Series A of 2022 Bonds for the years ended June 30, 2024 and 2023, was $1,100,000 and $1,111,000, respectively.

The Series A of 2022 Bonds are secured by facilities of the University. The University is subject to certain nonfinancial covenants and is required to make full and timely payment of the principal of and interest on all indebtedness of the University, whether now existing or hereafter arising, and comply with all covenants and agreements set forth in agreements evidencing indebtedness of the University.

d. Phase I-B Construction Loan

On July 16, 2014, the Allegheny County Higher Education Building Authority issued $18,000,000 aggregate principal of its Tax-Exempt Revenue Note Series of 2014 (Series 2014 Note) on behalf of the University. The Series of 2014 Note was used by the University for the financing of the construction of Phase I-B of Eden Hall Campus. The Series of 2014 Note bears interest at 3.10%. Interest-only payments are required monthly from August 1, 2014, through July 31, 2016. Starting on September 1, 2016, principal and interest payments are required monthly, with the final payment due on August 1, 2036.

As part of the issuance of this loan agreement, the financing for construction of the Phase I-A was cancelled, and outstanding borrowings were included in the principal balance for the Phase I-B agreement. There were $12,166,000 and $12,999,000 in borrowings outstanding under this agreement at June 30, 2024 and 2023, respectively. No interest was capitalized during the years ended June 30, 2024 and 2023 related to the outstanding borrowings.

Interest expense on the Series 2014 Note for the years ended June 30, 2024 and 2023, was $343,000 and $364,000, respectively.

The Series of 2014 Note is secured by facilities of the University. The University is subject to certain nonfinancial covenants and is required to make full and timely payment of the principal of and interest on all indebtedness of the University, whether now existing or hereafter arising, and comply with all covenants and agreements set forth in agreements evidencing indebtedness of the University.

e. Mortgages

During the 2012 fiscal year, the University entered into three mortgage loan agreements for a total of $676,000 payable in monthly installments ranging from $1,136 to $1,662, including interest at rates ranging from 4.625% to 5.00%, through November 2031. These loans are secured by first-lien mortgages on the real property and improvements on the properties acquired by the loan proceeds. Cost of the property acquired totaled $937,287 and has a net book value of $724,780 and $741,781 at June 30, 2024 and 2023, respectively.

During the 2021 fiscal year, the University entered into a mortgage loan agreement for approximately $2,508,000 payable in monthly installments of $12,973, including interest of 3.75% and subject to change every five years based on the five-year Intercontinental Exchange (ICE) rate, through July of 2040. The loan is secured by first-lien mortgages on the real property and improvements on the property acquired by the loan proceeds. Cost of the property acquired was approximately $2,606,000 and has a net book value of approximately $2,508,728 and $2,573,890 at June 30, 2024 and 2023, respectively.

NOTE 8 - BONDS AND NOTES PAYABLE (Continued)

During the 2023 fiscal year, the University entered into two mortgage loan agreements for approximately $6,192,250 that are payable in monthly installments ranging from $3,621 to $34,889 and that are inclusive of a nominal annual rate of 5.55%. The mortgages are secured by first-lien mortgages on the real property and improvements on the property acquired by the loan proceeds. Cost of the properties acquired totaled $8,791,000 and have a net book value of approximately $7,084,263 and $8,682,458 at June 30, 2024 and 2023, respectively.

Interest expense on all mortgages for the years ended June 30, 2024 and 2023 was $446,000 and $395,000, respectively.

g. Eastside Phase II Loan

In March 2017, the University entered in to a $1,500,000 nonrevolving construction line-of-credit agreement with a bank. The line of credit is due in monthly payments of interest-only during the renovation phase, which expires at a date no later than September 30, 2018. Subsequent to this date, the permanent phase of the loan begins for a period of 10 years. The agreement is secured by the assets of the University and bears interest at the weekly average yield calculated from the daily five-year ICE rate (7.08% and 5.59% at June 30, 2024 and 2023, respectively). There were $1,080,000 and $1,161,000 of borrowings outstanding at June 30, 2024 and 2023, respectively.

Interest expense on the line-of-credit was approximately $75,000 for the years ended June 30, 2024 and 2023.

NOTE 9 - RETIREMENT PLANS

The University sponsors a defined contribution retirement plan. Full-time employees over 21 years of age are eligible to begin making voluntary retirement contributions in the plan immediately. After an employee has been employed for one year or has a 403(b) plan already established, the University will match the employee’s contribution. Prior to September 2023, the University matched a participant's mandatory contribution of 2% with a 5% match or those who contribute at least 3% and up to 5% with a 8% match. After this date, the University's matching contribution was reduced to 3% for all non-union employees who contributed at least 2%. In addition, the University contributes to a union-administered defined contribution retirement plan for certain hourly employees, which is funded based on hours worked.

Expense charged to operations for these plans was approximately $902,000 and $2,007,000 for the years ended June 30, 2024 and 2023, respectively.

The University also sponsors deferred compensation plans in accordance with Sections 457(b) and 457(f) of the Internal Revenue Code of 1986 (IRC). Benefits are payable under these plans equal to the fair value of the underlying investments. Amounts payable under these plans and related fair value of assets held by the University included in accrued liabilities and other in the accompanying statements of financial position were approximately $835,000 and $927,000 as of June 30, 2024 and 2023, respectively.

NOTE 10 - LEASES

During the year ended June 30, 2019, the University entered into eight lease agreements involving the rental of computer, network resources, classroom fixtures and office equipment, and three finance leases involving the rental of vehicles. These leases are noncancelable and ran through the year 2024. Amounts related to the equipment are payable in quarterly or annual installments from $1,485 to $99,877. Amounts related to the vehicles are payable monthly from $378 to $486. Assets recorded under the finance lease agreements totaled $1,559,000 and accumulated depreciation totaled $1,559,000 and $1,471,484 as of June 30, 2024 and 2023, respectively.

In April 2019, the University executed a land lease agreement with the Wilkinsburg School District. The lease is for an initial term of 25 years and provides for renewal options, which both parties will negotiate at that time. Rental payments under the lease agreement are $1 per year. The University is responsible for all operating costs and repairs and maintenance, including taxes, assessments, utilities and all other charges. In February 2020, the University entered into an additional lease agreement to bridge financing for the renovation of the playing field and the adjoining grandstand, locker room, service building and parking lot. Graham Field is the home to the University's lacrosse and soccer teams and is utilized by community groups for youth football and other activities.

During the year ended June 30, 2020, the University entered into six lease agreements involving the rental of vehicles, computer, network resources and equipment. These leases are noncancelable and run through the year 2025. Amounts related to the equipment are payable in monthly, quarterly or annual installments from $2,716 to $49,772. Assets recorded at June 30, 2024 and 2023 under the finance lease agreements totaled $1,434,890 and accumulated depreciation totaled $1,420,767 and $1,353,510 as of June 30, 2024 and 2023, respectively.

During the year ended June 30, 2021, the University entered into 10 lease agreements involving the rental of computers, network resources and equipment. These leases are noncancelable and run through the year 2026. Amounts related to the equipment are payable in monthly, quarterly or annual installments from $223 to $113,953. Assets recorded at June 30, 2024 and 2023 under the finance lease agreements totaled $1,687,889 and accumulated depreciation totaled $1,479,375 and $1,142,811 as of June 30, 2024 and 2023, respectively.

During the year ended June 30, 2022, the University entered into 14 lease agreements involving the rental of computer equipment and automobiles. These leases are noncancelable and run through the year 2026. Amounts related to the equipment are payable in monthly, quarterly or annual installments from $653 to $49,672. Assets recorded at June 30, 2024 and 2023 under the finance lease agreements totaled $1,710,650 and accumulated depreciation totaled $1,090,939 and $658,301 as of June 30, 2024 and 2023, respectively.

During the year ended June 30, 2023, the University entered into 12 lease agreements involving the rental of computer equipment and automobiles. These leases are noncancelable and run through the year 2028. Amounts related to the equipment are payable in monthly, quarterly or annual installments from $680 to $199,528. Assets recorded at June 30, 2024 and 2023 under the finance lease agreements totaled $3,038,255 and accumulated depreciation totaled $1,021,231 and $343,910 as of June 30, 2024, and 2023, respectively.

The University also has various lease agreements primarily involving the rental of property, vehicles and office equipment. These leases are noncancelable and expire on various dates through the year 2024.

Rent expense for the years ended June 30, 2024 and 2023 was $235,000 and $244,000, respectively.

NOTE 10 - LEASES (Continued)

Total commitments and obligations under all finance lease agreements, including interest, are as follows:

Fiscal Year Ending June 30		Amount
2025	$	2,234,379
2026		1,756,530
2027		1,242,507
2028		356,806
2029		14,135
Present value of minimum lease payments	$	5,604,357

NOTE 11 - ENDOWMENT

The University's endowment consists of various investment funds established primarily for the support of its mission. As required by U.S. GAAP, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law - The Board has elected to be governed by the Commonwealth of Pennsylvania's Act 141 (Act 141), which permits election of a total return policy that allows a nonprofit to choose to treat a percentage of the average market value of the endowment's investments with donor restrictions as income each year. The long-term preservation of the real value of the assets must be taken into consideration when the Board elects the amount. On an annual basis, the Board must elect, in writing, a spending rate of between 2% and 7%. The spending rate is based on a three-year average of historical endowment market values.

Spending Policy and Investment Objectives Related to Spending Policy - As permitted by Act 141, the University transferred 7%, based on a three-year average of historical endowment market values to net assets without donor restrictions, for use in current and future operations. During the years ended June 30, 2024 and 2023, the University transferred approximately $4,456,000 and $4,023,000, respectively, to Board-designated for investment. The University satisfied its spending provisions of individual endowment agreements, including "must" or "shall" provisions, through the use of operating funds without donor restrictions in the years assets appropriated were not drawn. The University believes that this spending policy is consistent with the Commonwealth of Pennsylvania's guidelines and with the University's objective to maintain the purchasing power of the endowment assets held in perpetuity, as well as to provide additional real growth through new gifts and investment return.

The University classifies as net assets with donor restrictions the original value of gifts donated to the endowment and the original value of subsequent gifts to the endowment. Undistributed amounts earned are included in net assets with donor restrictions. In accordance with Act 141, the University has adopted a written investment policy, of which a section specifically relates to the endowment.

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

1. Protecting the corpus of the endowment fund
2. Preserving the spending power of the assets
3. Obtaining maximum investment return with reasonable risk and operational consideration

NOTE 11 - ENDOWMENT (Continued)

4. Complying with applicable laws

Endowment fund net assets as of June 30 comprise the following:

	Without Donor Restrictions	With Donor Restrictions	Total
June 30, 2024	$ 6,253,745	$ 74,087,759	$ 80,341,504
June 30, 2023	$ 2,415,419	$ 76,692,791	$ 79,108,210

The following represents the change in Board-designated and donor-restricted endowment funds by net asset type for the years ended June 30:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, July 1, 2022	$ 17,513,676	$ 75,617,409	$ 93,131,085
Investment return:			
Investment income	130,039	1,148,048	1,278,087
Net unrealized (depreciation) appreciation	(245,250)	2,232,998	1,987,748
Contributions	-	1,795,800	1,795,800
Net asset transfers	-	(78,698)	(78,698)
Appropriation of endowment assets for expenditures	4,022,766	(4,022,766)	-
Spend	(4,300,000)	-	(4,300,000)
Investment drawdown Board-designated	(14,705,812)	-	(14,705,812)
Endowment net assets, June 30, 2023	$ 2,415,419	$ 76,692,791	$ 79,108,210
Investment return:			
Investment income	48,929	1,477,680	1,526,609
Net unrealized appreciation	455,047	6,164,758	6,619,805
Contributions	725,986	720,440	1,446,426
Appropriation of endowment assets for expenditures	4,455,500	(4,455,500)	-
Spend	(8,359,546)	-	(8,359,546)
Donor approved release from restriction (See Note 18)	5,959,546	(5,959,546)	-
Transfers			
Transfer of funds due to endowment	(2,703,055)	2,703,055	-
Transfer of assets to Board-designated at donor instruction	3,255,919	(3,255,919)	-
Endowment net assets, June 30, 2024	$ 6,253,745	$ 74,087,759	$ 80,341,504

During the year ended June 30, 2024, the University transferred $2,703,000 to the endowment.

NOTE 11 - ENDOWMENT (Continued)

During the year ended June 30, 2024, the University transferred approximately $3,256,000 for its donor restricted endowment to Board-designated upon clarification of donor intention.

Funds with Deficiencies - From time to time, the fair value of assets associated with individual donor-restricted endowment funds might fall below the level that the donor or applicable law (Act 141) requires the University to retain as a fund of perpetual duration. The Board has permitted spending from the underwater endowment, which they have interpreted to be permitted under Act 141. Deficiencies of this nature that are reported in net assets with donor restriction total $1,059,697, and the associated fair value of these funds was $7,289,143, as of June 30, 2023. There were no deficiencies as of June 30, 3024. These deficiencies resulted from extraordinary market conditions that occurred shortly after the investment of new perpetually restricted contributions.

Return Objectives and Risk Parameters - The University had adopted investment and spending policies for endowment assets that attempt to provide a reasonable stream of funding to programs supported by its endowment while seeking to enhance the purchasing power of the endowment assets through long-term growth. Endowment assets include those assets of donor-restricted funds that the University must hold in perpetuity or for a donor-specified period. Under this policy, as approved by the Board, the endowment assets are invested in a manner that achieves its objective to attain a total return (yield plus capital appreciation) adequate to at least preserve the fund's value in real (i.e., inflation-adjusted) terms while providing a dependable source of income for the University for current operations.

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 to achieve its long-term return objectives within prudent risk constraints. Investment managers, at the discretion of the investment committee of the Board, are given guidelines as to the percentage range that can be committed to a particular investment category.

NOTE 12 - NET ASSETS WITH DONOR RESTRICTIONS BALANCES

Net assets with donor restrictions at June 30 are composed of the following:

	2024	2023
Funds subject to expenditure based on donor designation:		
Realized and unrealized restricted gains	$ 51,861,604	$ 43,115,849
Unexpended gift and grant revenue	2,800,780	4,931,656
Annuity and trust agreements	95,052	10,025
	54,757,436	48,057,530
Funds not subject to appropriation or expenditure:		
Eden Hall Campus - Land	8,310,000	8,310,000
Assets held in trust - Scholarships	4,622,236	4,064,575
	12,932,236	12,374,575
Endowed funds:		
Professorship and other	25,429,162	32,429,162
Scholarships	19,884,501	23,445,525
Awards	721,432	713,932
Library	670,800	670,801
	46,705,895	57,182,784
	$ 114,395,567	$ 117,614,889

Net assets released from donor restrictions satisfying the restricted purpose or by occurrence of the passage of time or other events specified by the donors as follows during fiscal years ended June 30 are as follows:

	2024	2023
Funds expended for a specified purpose:		
Gifts and other unexpended revenues available for scholarships, instruction, construction of Eden Hall Campus and other programs	$ 3,432,799	$ 3,079,846
Realized and unrealized endowment gains restricted primarily for scholarships and professorships	4,456,014	2,475,105
Donor approved release of endowed funds (see Note 18)	5,959,546	-
	$ 13,848,359	$ 5,554,951

NOTE 13 - GOVERNMENT GRANTS

Activity of the Federal Pell Grant (Pell Grant) and Pennsylvania Higher Education Assistance Agency (PHEAA) programs is not reflected in the University's financial statements because the amounts represent direct grants to students. Students received $1,802,881 and $1,537,126 from the federal Pell Grant and $1,521,816 and $1,523,986 from PHEAA programs in fiscal years 2024 and 2023, respectively.

NOTE 13 - GOVERNMENT GRANTS (Continued)

The ERC, a credit against certain payroll taxes allowed to an eligible employer for qualifying wages, was established by the Coronavirus Aid Relief and Economic Security Act and further amended by the Consolidated Appropriations Act and the American Rescue Plan Act. The ERC provided qualifying employers up to $5,000 of credit for each employee based on certain wages paid after March 12, 2020, and before January 1, 2021. Subsequent legislation increased the credit for each employee to $7,000 per calendar quarter after December 31, 2020, through September 30, 2021. During the year ended June 30, 2023, the University applied for and recognized within federal and state grants and contracts on the statement of activities and changes in net assets approximately $6,083,000 of ERCs. The University believes that the barriers and conditions for recognition of their application were satisfied upon submission of its application and were recorded as employee retention credit revenue during the year ended June 30, 2023.

On January 19, 2024, the University received $6,533,567, which included the full request of $6,083,000 and $450,192 in accrued interest. The ERC is recorded within the other changes in net asset section of the statement of activities and changes in net Assets for the year ended June 30, 2023.

NOTE 14 - COMMITMENTS AND CONTINGENCIES

The University is involved in claims and legal actions arising in the normal course of operations. In the opinion of the administration, after consultation of legal counsel, the ultimate disposition of these matters will not have a material adverse effect on the University's financial position or results of operations.

Amounts received and expended by the University under various federal and state programs are subject to audit by governmental entities. In the opinion of the administration, audit adjustments, if any, will not have a significant effect on the financial position of the University.

NOTE 15 - CONDITIONAL ASSET RETIREMENT OBLIGATIONS

The Accounting for Conditional Asset Retirement Obligations topic of the FASB Codification requires an entity to recognize a liability for the fair value of a conditional asset retirement obligation if the fair value of the liability can be estimated.

The University recorded a conditional asset retirement obligation related to asbestos contained in certain campus buildings. The University has established a conditional asset retirement obligation of approximately $976,000 and $928,000 as of June 30, 2024 and 2023, respectively, based on the current estimate of the scope of the asbestos abatement that will be required during the planned renovations. The actual cost for the abatement could vary from this estimate.

NOTE 16 - INCOME TAXES

The University is exempt from federal income taxes under Section 501(c)(3) of the IRC and has further been determined to be a nonprivate foundation under Sections 509(a)(1) and 170(b)(1)(A)(ii) of the IRC. Accordingly, no provision for taxes has been made in the accompanying financial statements. The University is also exempt from state income tax under applicable state statutes.

NOTE 16 - INCOME TAXES (Continued)

The University follows the FASB Codification topic on Income Taxes, which prescribes a minimum recognition threshold and measurement methodology that a tax position taken or expected to be taken in a tax return is required to meet before being recognized in financial statements. The University's statements of financial position at June 30, 2024 and 2023 do not include any liabilities associated with uncertain tax positions; further, the University has no unrecognized tax benefits. The University is no longer subject to examination of its tax returns for years before 2021.

NOTE 17 - EXPENSES BY BOTH NATURE AND FUNCTION

Expenses are summarized and categorized based on their functional classification as either program or supporting services. Specific expenses that are readily identifiable to a single program or activity are charged directly to that function. Certain categories of expenses are attributable to more than one program or supporting function and are allocated across functional categories. Salaries and wages and employee benefits and payroll taxes are allocated on the basis of time and effort. Other indirect costs allocated include utilities, maintenance, fringe benefits and depreciation, which are allocated based on number of students or an allocation percentage of total administrative costs before allocation to total education expenses. All other expenses are allocated based on actual usage and on a reasonable basis that is consistently applied.

Functional expenses of the University for the year ended June 30, 2024 are as follows:

	Program Activities	Administrative and General	Auxiliary Enterprises	Total Expenses
Salaries, wages and fringes	$ 30,099,910	$ 6,727,844	$ 400,056	$ 37,227,810
Operating expenses	11,477,902	2,254,214	662,375	14,394,491
Outside services	854,107	3,534,334	3,138,508	7,526,949
Depreciation and amortization	6,943,889	1,090,620	1,027,763	9,062,272
Interest	1,959,335	565,804	923,874	3,449,013
	$ 51,335,143	$ 14,172,816	$ 6,152,576	$ 71,660,535

NOTE 17 - EXPENSES BY BOTH NATURE AND FUNCTION (Continued)

Functional expenses of the University for the year ended June 30, 2023 are as follows:

	Program Activities	Administrative and General	Auxiliary Enterprises	Total Expenses
Salaries, wages and fringes	$ 31,330,514	$ 9,046,224	$ 688,149	$ 41,064,887
Operating expenses	13,072,800	677,448	673,685	14,423,933
Outside services	1,042,359	4,521,936	3,038,671	8,602,966
Depreciation and amortization	6,478,802	1,030,514	1,017,939	8,527,255
Interest	1,638,788	494,086	779,350	2,912,224
	$ 53,563,263	$ 15,770,208	$ 6,197,794	$ 75,531,265

Total fundraising expense representing the cost of the institutional advancement department and the comprehensive campaign for the years ended June 30, 2024 and 2023 was approximately $763,000 and $1,530,000, respectively, and is included in administrative and general expenses in the statements of activities and changes in net assets.

NOTE 18 - RELATED-PARTY TRANSACTIONS

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

As described in Note 6, the University has a line of credit with an entity owned by a Board member. There was $3,258,000 of borrowings outstanding at June 30, 2024.

As described in Note 9, the University makes contributions to a defined contribution retirement plan on behalf of employees.

During the year ended June 30, 2024, a Board member, who was the original donor, approved the release from their endowed funds totaling $6,000,000.

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