Gwynedd Mercy University

Consolidated Financial Statements

June 30, 2024 and 2023

Independent Auditors' Report

To the Board of Trustees of
Gwynedd Mercy University

Opinion

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

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

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS, we:

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

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

Baker Tilly US, LLP

Philadelphia, Pennsylvania
October 29, 2024

Gwynedd Mercy University

Consolidated Statements of Financial Position
June 30, 2024 and 2023

	2024	2023
Assets		
Assets		
Cash and cash equivalents	$ 6,831,000	$ 6,821,000
Student accounts receivable, net of allowance of $2,546,000 and $2,749,000 at June 30, 2024 and 2023, respectively	2,276,000	2,400,000
Pledges receivable, net	5,532,000	5,803,000
Student loans receivable, net of allowance of $296,000 at June 30, 2024 and 2023	791,000	874,000
Other receivables	166,000	1,370,000
Restricted cash	2,795,000	-
Prepaid expenses and other assets	688,000	698,000
Investments	67,986,000	70,222,000
Deposits with trustees	9,565,000	715,000
Property and equipment, net	48,333,000	45,067,000
Right-of-use assets, operating	-	77,000
Right-of-use assets, financing	30,000	5,000
Total assets	$ 144,993,000	$ 134,052,000
Liabilities and Net Assets		
Liabilities		
Accounts payable	$ 1,284,000	$ 1,181,000
Accrued expenses and other liabilities	3,347,000	3,383,000
Line of credit	-	2,500,000
Prepaid tuition and fees	3,490,000	3,613,000
Federal government investment, loan program	662,000	735,000
Bonds payable, net	35,908,000	21,536,000
Lease liability, operating	-	80,000
Lease liability, financing	59,000	17,000
Total liabilities	44,750,000	33,045,000
Net Assets		
Net assets without donor restrictions:		
Undesignated net assets	15,771,000	15,926,000
Board-designated endowment fund	47,539,000	51,696,000
Noncontrolling interest in subsidiary	89,000	29,000
Net assets with donor restrictions:		
Purpose restricted net assets	15,846,000	14,779,000
Donor-restricted endowment fund	20,998,000	18,577,000
Total net assets	100,243,000	101,007,000
Total liabilities and net assets	$ 144,993,000	$ 134,052,000

See notes to consolidated financial statements

Gwynedd Mercy University

Consolidated Statement of Activities (With Comparative Totals for 2023)
Year Ended June 30, 2024

	Without Donor Restrictions	With Donor Restrictions	2024 Total	2023 Total
Operating Revenues				
Tuition and fees (net of institutional aid of $17,832,000)	$ 33,671,000	$ 37,000	$ 33,708,000	$ 35,599,000
Government appropriations, federal	154,000	-	154,000	159,000
Government appropriations, state	338,000	156,000	494,000	569,000
Interest earnings	277,000	4,000	281,000	76,000
Gifts and grants	322,000	2,071,000	2,393,000	6,637,000
Other sources	459,000	215,000	674,000	219,000
Auxiliary enterprises (net of institutional aid of $331,000)	3,012,000	-	3,012,000	3,085,000
Endowment spending transfer	55,000	702,000	757,000	797,000
Net assets released from restriction	1,973,000	(1,973,000)	-	-
Total operating revenues	40,261,000	1,212,000	41,473,000	47,141,000
Operating Expenditures				
Salaries and wages	21,180,000	-	21,180,000	23,541,000
Employee benefits	5,231,000	-	5,231,000	5,645,000
Services, supplies and other	16,912,000	-	16,912,000	15,509,000
Depreciation and amortization	3,398,000	-	3,398,000	3,228,000
Interest	1,534,000	-	1,534,000	1,000,000
Facilities, operations and maintenance	2,757,000	-	2,757,000	3,265,000
Total operating expenditures	51,012,000	-	51,012,000	52,188,000
Change in net assets from operating activities	(10,751,000)	1,212,000	(9,539,000)	(5,047,000)
Nonoperating Activities				
Endowment and other gifts	-	724,000	724,000	1,050,000
Endowment spending transfer	(55,000)	(702,000)	(757,000)	(797,000)
Gain on sale of property	-	-	-	2,533,000
Investment gain	6,493,000	2,254,000	8,747,000	7,185,000
Change in net assets from nonoperating activities	6,438,000	2,276,000	8,714,000	9,971,000
Change in net assets	(4,313,000)	3,488,000	(825,000)	4,924,000
Net Assets, Beginning	67,651,000	33,356,000	101,007,000	96,054,000
Change in noncontrolling interest investment in subsidiary	61,000	-	61,000	29,000
Net Assets, Ending	$ 63,399,000	$ 36,844,000	$ 100,243,000	$ 101,007,000

See notes to consolidated financial statements

Gwynedd Mercy University

Consolidated Statement of Activities
Year Ended June 30, 2023

	Without Donor Restrictions	With Donor Restrictions	2023 Total
Operating Revenues			
Tuition and fees (net of institutional aid of $17,691,000)	$ 35,599,000	$ -	$ 35,599,000
Government appropriations, federal	147,000	12,000	159,000
Government appropriations, state	353,000	216,000	569,000
Investment gain	59,000	17,000	76,000
Gifts and grants	3,262,000	3,375,000	6,637,000
PPP loan forgiveness			
Other sources	219,000	-	219,000
Auxiliary enterprises (net institutional aid of $92,000)	3,085,000	-	3,085,000
Endowment spending transfer	40,000	757,000	797,000
Net assets released from restriction	4,296,000	(4,296,000)	-
Total operating revenues	47,060,000	81,000	47,141,000
Operating Expenditures			
Salaries and wages	23,541,000	-	23,541,000
Employee benefits	5,645,000	-	5,645,000
Services, supplies and other	15,509,000	-	15,509,000
Depreciation and amortization	3,228,000	-	3,228,000
Interest	1,000,000	-	1,000,000
Facilities, operations and maintenance	3,265,000	-	3,265,000
Total operating expenditures	52,188,000	-	52,188,000
Change in net assets from operating activities	(5,128,000)	81,000	(5,047,000)
Nonoperating Activities			
Endowment and other gifts	-	1,050,000	1,050,000
Endowment spending transfer	(40,000)	(757,000)	(797,000)
Gain on sale of property	2,533,000	-	2,533,000
Investment gain	5,617,000	1,568,000	7,185,000
Change in net assets from nonoperating activities	8,110,000	1,861,000	9,971,000
Change in net assets	2,982,000	1,942,000	4,924,000
Net Assets, Beginning	64,640,000	31,414,000	96,054,000
Change in noncontrolling interest investment in subsidiary	29,000	-	29,000
Net Assets, Ending	$ 67,651,000	$ 33,356,000	$ 101,007,000

See notes to consolidated financial statements

Gwynedd Mercy University

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

	2024	2023
Cash Flows From Operating Activities		
Change in net assets	$ (825,000)	$ 4,924,000
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Contributions restricted for long-term investment	(580,000)	(1,050,000)
Provision on accounts receivable	418,000	(73,000)
Depreciation and amortization	3,398,000	3,228,000
Amortization of right-of-use assets	104,000	351,000
Gain on investments	(6,979,000)	(5,196,000)
Loss on disposal, (gain) on sale of property	30,000	(2,533,000)
Changes in assets and liabilities:		
(Increase) decrease:		
Student accounts receivable	(294,000)	(263,000)
Pledges receivable	271,000	1,526,000
Student loans receivable	83,000	75,000
Other receivables	1,204,000	(1,241,000)
Prepaid expense and other assets	10,000	(261,000)
Increase (decrease):		
Accounts payable	451,000	(54,000)
Accrued expenses and other liabilities	(36,000)	71,000
Prepaid tuition and fees	(123,000)	(21,000)
Operating lease liability	(80,000)	(369,000)
Net cash used in operating activities	(2,948,000)	(886,000)
Cash Flows From Investing Activities		
Purchase of investments	(2,380,000)	(31,169,000)
Proceeds from sale of investments	11,597,000	2,800,000
Noncontrolling interest investment in subsidiary	61,000	29,000
Purchase of fixed assets	(6,989,000)	(6,558,000)
Proceeds from sale of property	-	9,060,000
Net cash provided by (used in) investing activities	2,289,000	(25,838,000)
Cash Flows From Financing Activities		
Contributions restricted for long-term investment	580,000	1,050,000
Change in federal government investment, loan program	(73,000)	(107,000)
Repayment/proceeds of line of credit	(2,500,000)	2,500,000
Proceeds from issuance of long-term debt	16,885,000	-
Debt issuance costs	(1,383,000)	(26,000)
Repayment of long-term debt	(1,185,000)	(12,395,000)
Finance lease issuance/payments	(10,000)	(16,000)
Net cash provided by (used in) financing activities	12,314,000	(8,994,000)
Net increase (decrease) in cash and cash equivalents and restricted cash	11,655,000	(35,718,000)
Cash and Cash Equivalents and Restricted Cash, Beginning	7,536,000	43,254,000
Cash and Cash Equivalents and Restricted Cash, Ending	$ 19,191,000	$ 7,536,000
Reconciliation of Cash and Cash Equivalents and Restricted Cash		
Cash and cash equivalents	$ 6,831,000	$ 6,821,000
Restricted cash	2,795,000	-
Restricted cash within deposits with trustees	9,565,000	715,000
Total end of year cash and cash equivalents and restricted cash	$ 19,191,000	$ 7,536,000
Supplemental Disclosure of Cash Flow Information		
Interest paid, net of amounts capitalized	$ 1,380,000	$ 1,055,000
Supplemental Disclosure of Noncash Investing and Financing Activities		
Amounts included in accounts payable for purchases of fixed assets	$ 423,000	$ 771,000

See notes to consolidated financial statements

1. Nature of Operations

Gwynedd Mercy University (the University) is a Catholic University with its main campus located in Gwynedd Valley, Pennsylvania and is incorporated under the laws of the Commonwealth of Pennsylvania as a Membership Corporation (the Corporation). The Institute of the Sisters of Mercy of the Americas, a public juridic person of the Roman Catholic Church serves as the sponsor of the Corporation. The University was founded by the Sisters of Mercy in 1948 with the goal of creating a learning community rooted in Gospel values and rich in the liberal arts. The University continues to pursue these goals through its accredited undergraduate, graduate, doctoral and accelerated learning degree programs.

In April 2021, the University sold portions of its property, including land and two buildings to a third-party non-profit entity, for development. The sale was completed in two phases during the fiscal year 2023 for combined proceeds of $10,000,000. As part of the sale transaction, the Sumneytown and Evans Condominium Association (the Association), a non-profit entity, was formed to govern the common elements shared by both parties to the sale. The common elements maintained by the Association include utilities and common area maintenance costs for shared roadways and facilities. The Association is governed by a board of four representatives, three representing the University and one representing the other participating member entity. The Association is reported as a consolidated subsidiary of the University as a controlled entity through majority voting interest in the board and an economic interest in the Association. The University has consolidated the fiscal 2023 and 2024 activities of the Association as the majority owner, holding a 75% interest and three of the four board seats. Both owner entities will continue to make capital contributions to the Association to cover on-going controlled facilities expenditures at the 3:1 ownership ratio.

2. Summary of Significant Accounting Policies

Principles of Consolidation

The consolidated financial statements include the accounts of the University and the Association. All significant inter-association balances and transactions have been eliminated in consolidation. The portion of the Association's net assets related to the other participating member entity is reported as the noncontrolling interest in subsidiary in the net assets without donor restriction.

Basis of Presentation

The University's consolidated financial statements have been prepared on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America (GAAP). The University reports total assets, liabilities and net assets in a consolidated statements of financial position; reports the change in net assets in a consolidated statements of activities; and reports the sources and uses of cash and cash equivalents in a consolidated statements of cash flows.

Net Assets

Net assets and revenues, gains, expenses and losses are classified as without donor restrictions or with donor restrictions based on the existence or absence of donor-imposed restrictions as follows:

Net Assets Without Donor Restrictions - Net assets that are not subject to donor-imposed stipulations. They may be designated for specific purposes by action of the Board of Trustees. The Board of Trustees has earmarked $47,539,000 and $51,696,000 as of June 30, 2024 and 2023, respectively, for its board-designated endowment funds.

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

Cash and Cash Equivalents

For the consolidated statements of cash flows, the University includes cash on deposit, cash on hand, and money market funds to be cash equivalents.

Restricted Cash

Restricted cash is comprised of cash deposits held as letters of credit for construction projects. The majority, if not all, of the letters of credit will be depleted within one year.

Investments and Deposits with Trustees

Adjustments to reflect increases or decreases in fair value, referred to as unrealized gains and losses, are reported in the consolidated statements of activities. The cost of investments received as gifts are recorded at fair value as determined upon receipt. The cost of investments sold is determined by use of the specific identification method.

All realized and unrealized gains and losses arising from the sale or appreciation (depreciation) in fair value of investments, and all income from investments, are reported as changes in net assets without donor restriction unless their use is with donor restrictions by explicit donor-imposed stipulations, or by law.

Deposits with trustees consists of cash and cash equivalents in fulfillment of debt related indentures. These funds are restricted to future debt service or projects as defined by the debt indenture.

Revenue Recognition

Tuition and fee revenue is recognized in the fiscal year in which the academic programs are delivered. Institutional aid awarded to students reduces the amount of revenue recognized. Institutional aid provided to students was approximately $17,832,000 and $17,691,000 in 2024 and 2023, respectively.

Traditional undergraduate and graduate programs follow a fall/spring semester term, with all performance commitments under the academic terms being met before the fiscal year-end. Deposits for the following fall term and credits on student accounts are fully deferred and recognized in the following fiscal year. Summer terms are offered for these programs; however, enrollment has historically been lower than the fall/spring term. Revenue recognized for these terms are divided into current year and future year revenue based on the number of days in which the course takes place.

The University's accelerated and graduate programs are outside of the traditional semester model. Each of these programs is divided into current year and future year revenue based on the number of days in which the course takes place.

Payments for tuition are due approximately two weeks prior to the start of the academic term. In accordance with the University's refund policies, undergraduate students may receive a partial refund up to four weeks after the start of the semester; accelerated and graduate students may receive a partial refund until the close of the first week of classes (drop/add period).

Auxiliary enterprise revenue exists to furnish goods or services to students, faculty, staff or incidentally to the general public. Fees charged for auxiliary services are priced to offset the cost of the goods or services provided. The distinguishing characteristic of auxiliary enterprise revenue is that it is managed as an essentially self-supporting activity. Revenues and expenses from auxiliary enterprises are reported as changes in net assets without donor restrictions. Auxiliary services revenue primarily consists of activities for student housing and dining facilities. Payments for housing and dining services are due approximately two weeks prior to the start of the academic term. An insignificant number of housing plans are offered during the summer terms. Performance obligations for housing and dining services are delivered over the academic terms. Consequently, associated revenues are earned and recognized over the course of each term as the services are delivered.

The balance of deferred revenue at June 30, 2024 and 2023, less any refunds issued, will be recognized as revenue over the associated academic term, as services are rendered. Deferred revenue represents payments received prior to the start of the academic term or for semesters in process as of year-end.

The following table depicts activities for deferred revenue related to tuition included in prepaid tuition and fees on the consolidated statements of financial position:

	Balance at June 30, 2023	Refunds Issued	Revenue Recognized in FY 2024	Amounts Billed in Advance of Performance	Balance at June 30, 2024
Tuition and fees	$ 2,281,000	$ 39,000	$ 2,242,000	$ 2,886,000	$ 2,886,000

	Balance at June 30, 2022	Refunds Issued	Revenue Recognized in FY 2023	Amounts Billed in Advance of Performance	Balance at June 30, 2023
Tuition and fees	$ 2,370,000	$ 63,000	$ 2,307,000	$ 2,281,000	$ 2,281,000

The University applies the practical expedient under the applicable revenue recognition guidance and, therefore, does not disclose information about remaining performance obligations that have original durations of one year or less.

Student Accounts Receivable

Student accounts receivable includes amounts to which the University is unconditionally entitled. The University considers such amounts as unconditional based on the payment due date. Student accounts receivable are recorded net of an allowance for credit losses. The allowance for credit losses is estimated based on the University's historical losses and periodic review of individual accounts. Student accounts receivable are written off when they are determined to be uncollectible based on management's assessment of individual accounts.

Government Grants

Government grants and contracts are deemed to be exchange (reciprocal) transactions based on the terms and restrictions on use assigned by the resource provider. Under this guidance, revenue is recognized when the revenue is earned. Most grants and contracts are on a cost reimbursement basis and require the University to incur eligible expenses prior to the release of funds. The University reports these grants and contracts as changes in net assets without donor restrictions when restrictions are met in the same period.

The government grants and institutional aid amounts reported do not include funds credited to students under various federal and state grant programs. These grants are similar to agency funds as the University acts only as custodian and disbursing agent.

Student Loans Receivable

Student loans receivable represents loans to students funded by advances to the University by the federal government under the Federal Perkins Loan Program and the Nursing Student Loan Program (the Programs). Such funds may be re-loaned by the University after collection, but in the event that the University no longer participates in the Programs, the amounts are refundable to the federal government. The federal government's portion of these funds at June 30, 2024 and 2023 was $662,000 and $735,000, respectively. These loans are shown net of allowance for credit losses of $296,000 at June 30, 2024. As of June 30, 2023, prior to the adoption of Accounting Standards Update (ASU) No. 2016-13, an allowance for doubtful accounts for such receivables of $296,000 was recorded.

The prescribed practices for the Programs do not provide for accrual of interest on student loans receivable. Accordingly, interest on loans is recorded as received and is reinvested to support additional loans; uncollectible loans are not recognized until the loans are canceled or written-off in conformity with the Programs' requirements. The impact of recording interest income on a cash basis is not considered significant. In addition, the credit quality of the student is not evaluated after the initial approval and calculation of the loans.

The Extension Act amended Section 461 of the Higher Education Act to end the University's authority to make new Perkins Loans after June 30, 2018. The University is not required to assign the outstanding Perkins Loans for active payors to the Department or liquidate its Perkins Loan Revolving Funds due to the wind-down of the Perkins Loan Program, however, the University may choose to liquidate at any time in the future. As of June 30, 2024, the University continues to service the Perkins Loan Program.

Contributions

In accordance with authoritative guidance, the University records certain promises to give as revenue when the promise is made. In addition, the authoritative guidance requires that unconditional promises to give (pledges) be recorded as receivables and revenues and requires the University to distinguish between contributions received for each net asset category in accordance with donor-imposed restrictions. Donor-restricted contributions are reported as without donor restrictions operating revenue when the restriction is satisfied within the same year that the contribution is received.

Contributions are reported as an increase in the appropriate net asset category in the year received. Unconditional promises to give that are expected to be collected within one year are recorded at their net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at fair value using net present value techniques. The discount is computed using a credit-adjusted interest rate. Conditional promises to give are not included as support until such time as the conditions are substantially met.

Property and Equipment

Property and equipment are stated at cost at date of acquisition or fair market value at date of donation in the case of gifts. Major improvements to property, along with furniture and equipment with a unit cost of $5,000 or over, are capitalized. Depreciation on physical plant and equipment is recorded by the straight-line method. Depreciation related to auxiliary enterprises is recorded as auxiliary enterprises expense. Estimated useful lives are as follows:

	Years
Land improvements	5-20
Building and improvements	5-40
Furniture, furnishings and equipment	5-20

Right-of-Use Assets

A right-of-use asset, represents the University's authority to utilize leased items, such as property and equipment, over the duration of an agreed-upon lease term. The right-of-use assets are amortized from the lease commencement date (the date the University obtains possession of the underlying asset) to the end of the lease's term.

Lease Obligations

The University determines if an arrangement is, or contains, a lease at inception of the contract. The lease obligation is initially measured as the present value of unpaid lease payments and is subsequently measured using the effective interest method. The value of an option to extend or terminate a lease is reflected to the extent it is reasonably certain the University will exercise that option. Subsequent to the lease commencement date, the University reassesses lease classification when there is a contract modification that is accounted for as a separate contract, a change in the lease term or a change in the assessment of whether the lessee is reasonably certain to exercise an option to purchase the underlying asset or terminate the lease.
The University has used the incremental borrowing rate as of the date the lease is in effect when measuring its leases as the rate implicit in the lease is not readily determinable.

The University recognizes a finance lease obligation for arrangements in which the lease transfers ownership of the underlying asset to the lessee by the end of the lease term, the lease grants the lessee an option to purchase the underlying asset that the lessee is reasonably certain to exercise, and the lease term is for the major part of the remaining economic life of the underlying asset. The University recognizes a finance lease obligation at the present value of the lease payments. The University recognizes interest expense on the lease liability calculated using the effective interest method. Interest payments on finance lease obligations are shown in the operating activities section on the consolidated statements of cash flows, while principal payments on the lease liability appear in the financing activities section.

The University recognizes an operating lease obligation for arrangements that do not meet the classification of finance lease obligations as defined above. For operating leases with a term greater than 12 months, the University recognizes an operating lease obligation at the present value of the lease payments. The University recognizes a single lease expense (which includes both interest and amortization) allocated over the lease term on a straight-line basis. All cash payments are recorded in the operations section of the University's consolidated statements of cash flows.

Advertising

The University follows the policy of charging the costs of advertising to expense as incurred. Advertising expense for the years ended June 30, 2024 and 2023 was $3,068,000 and $3,583,000, respectively.

Use of Estimates

The preparation of consolidated financial statements in conformity with generally accepted accounting principles 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 and expenses during the reporting period. Actual results could differ from those estimates.

Title IV Requirements

The University participates in Government Student Financial Assistance Programs (Title IV) administered by the U.S. Department of Education (ED) for the payment of student tuitions. A substantial number of University students are dependent upon the University's continued participation in the Title IV programs for assistance in tuition payment.

Institutions participating in Title IV programs are also required by ED to demonstrate financial responsibility. ED determines an institution's financial responsibility through the calculation of the composite score based upon certain financial ratios as defined in regulations. Institutions receiving a composite score of 1.5 or greater are considered fully financially responsible. Institutions receiving a composite score between 1.0 and 1.5 are subject to additional monitoring and institutions receiving a score below 1.0 are required to submit financial guarantees in order to continue participation in the Title IV programs. As of June 30, 2024, and for the year then ended, the University's composite score is estimated to be greater than 1.5.

Concentrations of Risk

At June 30, 2024 and 2023, the University had deposits and investments in major financial institutions which exceeded Federal Depository Insurance Corporation limits. These financial institutions have strong credit ratings and management believes that credit risk related to these deposits and investments is minimal.

The University primarily invests its funds in money market mutual funds and investment trust funds. These funds generally invest in common stocks and highly liquid U.S. Government and corporate obligations. Investments in money market and trust funds are not insured or guaranteed by the U.S. Government, however, management believes that credit risk related to these investments is minimal.

Income Taxes

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

The University follows the Financial Accounting Standards Board (FASB) guidance that requires a tax position to be recognized or derecognized based on a "more-likely-than-not" threshold. This applies to positions taken or expected to be taken in a tax return. The University does not believe its consolidated financial statements include any uncertain tax positions.

The University's policy is to recognize interest related to unrecognized tax benefits in interest expense and penalties in operating expenses. No interest or penalties were recognized in 2024 or 2023.

Nonoperating Activities

The University considers donor-restricted endowment gifts, investment return on endowment investments, and gain on sale of property to be nonoperating activities.

Accounting Standards Adopted in Current Year

In June 2016, the FASB issued ASU No. 2016-13, *Financial Instruments—Credit Losses* (Topic 326). The ASU introduces a new credit loss methodology, Current Expected Credit Losses (CECL), which requires earlier recognition of credit losses, while also providing additional transparency about credit risk. Since its original issuance in 2016, the FASB has issued several updates to the original ASU. The CECL methodology utilizes a lifetime "expected credit loss" measurement objective for the recognition of credit losses at the time the financial asset is originated or acquired. The expected credit losses are adjusted each period for changes in expected lifetime credit losses.

The methodology replaces the multiple existing impairment methods in current U.S. GAAP, which generally require that a loss be incurred before it is recognized. On July 1, 2023, the University adopted the ASU using the modified retrospective approach. The adoption of ASU 2016-13 had no impact on the consolidated financial statements for the year ended June 30, 2024.

Subsequent Events

The University evaluated subsequent events for recognition or disclosure through October 29, 2024, the date the consolidated financial statements were issued.

3. Pledges Receivable

The University records unconditional promises to give as pledges receivable. Pledges due beyond one year are discounted to present value using discount rate of 3.25% for the fiscal years ended June 30, 2024 and 2023.

Included in pledges receivable are the following unconditional promises at June 30:

	2024	2023
Unconditional promises expected within 1 year	$ 2,390,000	$ 2,115,000
Unconditional promises expected between 1-5 years	3,579,000	4,214,000
Total unconditional promises	5,969,000	6,329,000
Less:		
Discount	298,000	210,000
Allowance for doubtful accounts	139,000	316,000
Total discount and allowance	437,000	526,000
Unconditional promises to give, net of unamortized discount and allowance for doubtful accounts	$ 5,532,000	$ 5,803,000

4. Property and Equipment

Property and equipment consist of the following:

	2024	2023
Land and land improvements	$ 21,192,000	$ 16,717,000
Building and improvements	68,158,000	64,158,000
Furniture, furnishings and equipment	10,315,000	9,255,000
Construction in progress	3,106,000	6,111,000
Total property and equipment	102,771,000	96,241,000
Less accumulated depreciation	(54,438,000)	(51,174,000)
Total property and equipment, net	$ 48,333,000	$ 45,067,000

Depreciation expense was $3,343,000 and $3,123,000 for the years ended June 30, 2024 and 2023, respectively.

5. Investments, Fair Value Measurements and Other Financial Instruments

For financial instruments required to be measured at fair value on a recurring basis, fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value is measured using a hierarchy prioritizing the inputs used in determining valuations into three levels. The level within the fair value hierarchy is based on the lowest level input that is significant to the fair value measurement.

The levels of the fair value hierarchy are as follows:

Level 1 - Unadjusted quoted prices in active markets that are accessible to the University for identical instruments.

Level 2 - Significant inputs, other than Level 1 inputs that are observable either directly or indirectly for substantially the full term of the instruments through corroboration with observable market data.

Level 3 - Significant unobservable inputs.

Valuation Methodologies

The carrying amounts of cash equivalents, money market funds and other investments are reasonable estimates of their fair values due to the short-term nature of these financial instruments. These are considered Level 1 measurements due to their liquidity. Mutual funds and equities are measured at fair value using quoted market prices for identical assets, which are considered Level 1 inputs. Fixed income securities are estimated using quoted market prices for similar securities, which are considered Level 2 inputs.

The following tables present the financial instruments measured at fair value as of June 30, 2024 and 2023 by caption on the consolidated statements of financial position by the valuation hierarchy defined above:

	2024			
	Level 1	**Level 2**	**Level 3**	**Total Fair Value**
Reported at Fair Value				
Investments:				
Cash equivalents	$ 91,000	$ -	$ -	$91,000
Mutual funds	76,000	-	-	76,000
Equities	26,956,000	-	-	26,956,000
Fixed income securities	-	9,231,000	-	9,231,000
Total investments	$ 27,123,000	$ 9,231,000	$ -	36,354,000
Investments measured at net asset value (a)				31,632,000
Total investments at fair value				$ 67,986,000
Deposits with trustees:				
Money market funds	$ 9,565,000	$ -	$ -	$ 9,565,000

	2023			
	Level 1	**Level 2**	**Level 3**	**Total Fair Value**
Reported at Fair Value				
Investments:				
Cash equivalents	$ 83,000	$ -	$ -	$ 83,000
Money market funds	4,000	-	-	4,000
Mutual funds	128,000	-	-	128,000
Equities	24,847,000	-	-	24,847,000
Fixed income securities	-	7,934,000	-	7,934,000
Total investments	$ 25,062,000	$ 7,934,000	$ -	32,996,000
Investments measured at net asset value (a)				37,226,000
Total investments at fair value				$ 70,222,000
Deposits with trustees:				
Money market funds	$ 715,000	$ -	$ -	$ 715,000

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

Investments measured at NAV consists of investment vehicles managed by Mercy Investment Services, Inc. (MIS). MIS is an asset management program for the collective investment of Mercy-affiliated organizations. MIS has established pooled investment vehicles (the Funds) designed to meet performance objectives, while remaining in line with socially responsible guidelines and the risk constraints of the investors. The participants' investments are recognized as unit shares based on their proportion of the specific fund. The fair value of the units held in the Funds is based on NAV per unit. NAV is an estimate that is based on information provided by the fund managers and audited consolidated financial statements of the fund, in the absence of readily determinable market values for the units. NAV is calculated based on the fair values of the underlying investments of the Funds. In 2024 and 2023, investments were held in the MIS 60/40 and 70/30 Funds. The Funds have daily redemption limits of $500,000 and require a one-day redemption notice period for each additional $500,000 redemption. At its discretion, MIS can subject complete or substantial withdrawals to a 10% holdback or institute a partial or full moratorium on withdrawals.

Investment income consists of the following:

	2024	**2023**
Dividends and interest	$ 2,380,000	$ 2,163,000
Unrealized gain on investments	4,406,000	3,061,000
Realized gain on investments	2,573,000	2,279,000
Investment fees	(331,000)	(242,000)
Total investment income, net	$ 9,028,000	$ 7,261,000

6. Bonds Payable

	2024	2023
Bond Issue, 2017 (Series PP2) The University borrowed $12,910,000 in 2017 through bonds issued by the Montgomery County Higher Education and Health Authority in connection with the refunding of the 2007 bonds and financing of miscellaneous capital expenditures. The interest rate on the bonds varies between 2.00% and 4.00%. The interest rate was 2.625% at June 30, 2024. Principal payments are due through 2031.	$ 6,355,000	$ 7,340,000
Bond Issue, 2022 UU1 The University borrowed Series 2022 UU1 Montgomery County Higher Education and Health Authority bonds on May 1, 2022 in connection with the refunding of the 2017 V1B bonds. The interest rate on the bonds is 5.00%. Principal payments are due starting in November 2022 through 2035.	5,130,000	5,330,000
Bond Issue, 2022 UU2 The University borrowed Series 2022 UU2 Montgomery County Higher Education and Health Authority bonds on May 1, 2022 in connection with the refunding of the 2012 KK1 bonds. The interest rate on the bonds is 5.25% through May 1, 2037; the interest rate on the remaining balance is 5.00%. Principal payments are due starting in November 2032 through 2042.	9,080,000	9,080,000
Bond Issue, 2023 VV1 The University borrowed Series 2023 UU2 Montgomery County Industrial Development Authority Revenue bonds on November 17, 2023 to finance project costs for construction and equipment. The interest rate on the bonds is 5.25% through May 1, 2038; the interest rate on the remaining balance is 5.75%. Principal payments are due starting in May 2032 through 2048.	16,885,000	-
Total bond payable	37,450,000	21,750,000
Plus bond premium	258,000	283,000
Less bond issuance costs	(1,800,000)	(497,000)
Total bond payable, net	$ 35,908,000	$ 21,536,000

Future minimum principal payments are as follows:

2025	$ 1,155,000
2026	1,205,000
2027	1,195,000
2028	1,145,000
2029	1,245,000
Thereafter	31,505,000
	$ 37,450,000

In April of 2017, the Montgomery County Higher Education and Health Authority issued revenue bonds Series 2017 PP2 in the amount of $12,910,000. The proceeds of the bond issuance were used to advance refund certain bonds previously issued to the University, to fund a debt service fund for the bonds, and to finance costs of issuance of the bonds.

In May of 2022, the Montgomery County Higher Education and Health Authority issued revenue bonds Series 2022 UU1 and UU2 in the amount of $5,505,000 and $9,080,000, respectively. The proceeds of this Series 2022 UU1 were used to refund the Subseries 2017-V1B. The interest rate on Series 2022 UU1 is 5.00%. The proceeds of this Series 2022 UU2 were used to refund the University's 2012 bonds. The interest rate on Series 2022 UU2 is 5.25% through May 1, 2037; the interest rate on the remaining balance is 5.00% through 2042.

In November of 2023, the Montgomery County Industrial Development Authority issued revenue bonds Series 2023 VV1 in the amount of $16,885,000. The proceeds of this Series will be used to finance the costs of construction projects and equipment. The interest rate on Series 2023 VV1 is 5.25% through May 1, 2038; the interest rate on the remaining balance is 5.75% through 2048.

Interest expense on long-term debt was $1,534,000 in 2024 and $1,000,000 in 2023. No interest expense was capitalized for the fiscal years ended June 30, 2024 and 2023.

7. Line of Credit

In May 2023, the University entered a new unsecured line of credit with its operating bank with availability of $2,500,000 available through February 28, 2025. The interest rate on the line of credit was 6.85% at June 30, 2024 and 6.66% at June 30, 2023. The University did not borrow against the line of credit in fiscal year 2024. The University borrowed the full $2,500,000 in fiscal year 2023.

Additionally, the University obtained a securities backed line of credit (SBLOC) connected to its unrestricted investments. This interest-only revolving credit line, backed by non-qualified securities held in the investment account, serves as additional access to cash flow if needed. The interest rate on the line of credit was 7.75% at June 30, 2024 and approximately $20,400,000 was available. The University did not borrow against the line of credit in fiscal year 2024.

8. Net Assets

Net assets without donor restrictions are available for the following purposes as of June 30, 2024 and 2023:

	2024	2023
Undesignated	$ 15,771,000	$ 15,926,000
Board-designated endowment	47,539,000	51,696,000
Non-controlling interest in subsidiary	89,000	29,000
Total net assets without donor restrictions	$ 63,399,000	$ 67,651,000

Net assets with donor restrictions are available for the following purposes as of June 30, 2024 and 2023:

	2024	2023
Student support	$ 201,000	$ 270,000
Instruction and academic support	1,382,000	1,550,000
Institutional support	13,757,000	12,207,000
Scholarships	6,335,000	4,692,000
Annual fund	92,000	92,000
Research	10,000	8,000
Endowment funds (gift corpus)	15,067,000	14,537,000
Total net assets with donor restrictions	$ 36,844,000	$ 33,356,000

9. Satisfaction of Restriction

Net assets with donor restrictions were released to net assets without donor restrictions by incurring expenses satisfying the restricted purpose or by occurrences of other events specified by donors as follows:

	2024	2023
Student support	$ 359,000	$ 276,000
Instruction and academic support	517,000	626,000
Institutional support	159,000	150,000
Scholarships	797,000	758,000
Public service	8,000	19,000
Research	10,000	23,000
Property and equipment additions	123,000	2,444,000
Total net assets released from restriction	$ 1,973,000	$ 4,296,000

10. Endowments

The Board of Trustees has interpreted the Commonwealth of Pennsylvania state law 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 the gifts donated to the net assets with donor restrictions, (b) the original value of subsequent gifts to the net assets with donor restrictions and (c) enhancements or diminishments of the fund from investment income, loss and spending allowance.

The University's endowment funds include both donor-restricted endowment funds and funds designated by the Board of Trustees to function as endowments (board-designated endowment funds). As required by accounting standards, 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.

Return Objectives and Risk Parameters

The University has adopted investment and spending policies for endowment and board-designated net assets that attempt to provide a relatively predictable and growing stream of annual distributions in support of the institution while preserving the long-term, real purchasing power of assets.

Spending Policy and How the Return Objectives Related to Spending Policy

The Board of Trustees has adopted Pennsylvania regulations governing distributable income from donor-restricted endowment funds. Distributable income is a stipulated percentage ranging from 2% to 7% of the average asset value. The University has a total return policy of appropriating for distribution each year a percentage of its endowment fund's average fair value over the prior three fiscal year-ends. This percentage was 5.5% for 2024 and 4.5% for 2023. The University's 2024 spending policy allowed for a draw of $780,000 and $757,000 was drawn. The University's 2023 spending policy allowed for a draw of $824,000 and $797,000 was drawn. The income on the donor-restricted endowment funds is used in accordance with donor stipulations as described above.

Strategies Employed for Achieving Return Objectives

To satisfy its long-term rate-of-return objectives, the University relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The University's current assets allocation for both donor-restricted and board-designated endowment funds is structured to achieve the appropriate level of investment return.

Funds With Deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or the state law requires the University to retain as a fund of perpetual duration. The deficiencies resulted from periodic unfavorable market fluctuations that occur after the investment of the donor-restricted contribution and continued appropriation for certain programs that was deemed prudent by University management. In accordance with GAAP, these deficiencies are reported in net assets with donor restriction. Deficiencies within the individual donor-restricted endowment funds are expected to be periodic and recover based on investment performance based on the University's long-term rate-of-return objectives. At June 30, 2024 and 2023, there were no individual donor-restricted endowment funds with deficiencies reported in net assets with donor restrictions.

The University's endowment and board-designated endowment had the following activity for the years ended June 30, 2024 and 2023.

	2024		
	Board-Designated	With Donor Restriction	Total
Endowment investments, beginning of year	$ 51,696,000	$ 18,380,000	$ 70,076,000
Investment return, net	6,484,000	2,254,000	8,738,000
Contributions	-	580,000	580,000
Spending allowance	(55,000)	(702,000)	(757,000)
Transfer for special projects and institutional support	(10,586,000)	-	(10,586,000)
Changes in net assets	(4,157,000)	2,132,000	(2,025,000)
Endowment investments, end of year	47,539,000	20,512,000	68,051,000
Donor-restricted pledges receivable, net of allowance and operating cash receipts	-	486,000	486,000
Endowment net assets, end of year	$ 47,539,000	$ 20,998,000	$ 68,537,000

	2023		
	Board-Designated	With Donor Restriction	Total
Endowment investments, beginning of year	$ 19,716,000	$ 16,669,000	$ 36,385,000
Investment return, net	5,617,000	1,568,000	7,185,000
Transfer from undesignated fund	28,903,000	-	28,903,000
Contributions	-	1,050,000	1,050,000
Spending allowance	(40,000)	(757,000)	(797,000)
Transfer for special projects and institutional support	(2,500,000)	-	(2,500,000)
Change in pledges receivable and operating cash receipts	-	(150,000)	(150,000)
Changes in net assets	31,980,000	1,711,000	33,691,000
Endowment investments, end of year	51,696,000	18,380,000	70,076,000
Donor-restricted pledges receivable, net of allowance and operating cash receipts	-	197,000	197,000
Endowment net assets, end of year	$ 51,696,000	$ 18,577,000	$ 70,273,000

Endowment and board-designated net assets had the following net asset compositions as June 30, 2024 and 2023.

	2024		
	Board-Designated	With Donor Restriction	Total
Board-designated endowment funds:			
Special projects and institutional support	$ 46,012,000	$ -	$ 46,012,000
Scholarship matching	1,406,000	-	1,406,000
Unrestricted endowment growth	121,000	-	121,000
Donor-restricted endowment funds:			
Scholarships and Academic Support	-	20,998,000	20,998,000
Endowment net assets, end of year	$ 47,539,000	$ 20,998,000	$ 68,537,000

	2023		
	Board-Designated	With Donor Restriction	Total
Board-designated endowment funds:			
Special projects and institutional support	$ 40,896,000	$ -	$ 40,896,000
Scholarship matching	1,279,000	-	1,279,000
Unrestricted endowment growth	9,521,000	-	9,521,000
Donor-restricted endowment funds:			
Scholarships and Academic Support	-	18,577,000	18,577,000
Endowment net assets, end of year	$ 51,696,000	$ 18,577,000	$ 70,273,000

11. Pension Plans

The University has voluntary defined contribution pension plans which cover substantially all full-time employees. The University makes matching contributions of an amount not to exceed 7% of the employees' gross salaries for the years ended June 30, 2024 and 2023. For the years ended June 30, 2024 and 2023, total pension expense under this plan was approximately $876,000 and $903,000, respectively.

12. Commitments and Contingencies

The University is involved in various legal proceedings, which consist of litigation attributable to its normal course of business. The University and its attorneys believe that the ultimate outcome of such litigation will not have a significant effect on the financial position of the University.

13. Functional Classification of Expenses

The costs of providing program services and supporting services of the University have been summarized on a functional basis in the following schedule.

Expenses by functional classification for the year ended June 30, 2024 consist of the following:

	Program Expenses	Management and General	Development	Auxiliary Service	Total
Salaries and wages	$ 15,497,000	$ 4,898,000	$ 569,000	$ 216,000	$ 21,180,000
Employee benefits	3,408,000	1,532,000	70,000	221,000	5,231,000
Services, supplies and other	10,624,000	4,043,000	234,000	2,011,000	16,912,000
Depreciation and amortization	1,931,000	462,000	-	1,005,000	3,398,000
Interest	1,169,000	36,000	-	329,000	1,534,000
Facilities, operations and maintenance	2,216,000	541,000	-	-	2,757,000
Total operating expenditures	$ 34,845,000	$ 11,512,000	$ 873,000	$ 3,782,000	$ 51,012,000

Expenses by functional classification for the year ended June 30, 2023 consist of the following:

	Program Expenses	Management and General	Development	Auxiliary Service	Total
Salaries and wages	$ 17,160,000	$ 5,405,000	$ 755,000	$ 221,000	$ 23,541,000
Employee benefits	3,714,000	1,520,000	195,000	216,000	5,645,000
Services, supplies and other	10,179,000	3,132,000	238,000	1,960,000	15,509,000
Depreciation and amortization	1,597,000	409,000	-	1,222,000	3,228,000
Interest	615,000	28,000	-	357,000	1,000,000
Facilities, operations and maintenance	2,658,000	607,000	-	-	3,265,000
Total operating expenditures	$ 35,923,000	$ 11,101,000	$ 1,188,000	$ 3,976,000	$ 52,188,000

The consolidated financial statements report certain categories of expense that are attributable to more than one program or supporting function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. Employee benefits, federal work study and insurance are allocated on the basis of employment functional areas per payroll. Depreciation, amortization, interest and plant services are allocated on the basis of square footage utilization.

14. Related Parties

The University holds a 75% interest and three of the four board seats of the Sumneytown and Evans Condominium Association. The Association is consolidated in the financial reporting of the University as a result of its majority ownership.

The Conference for Mercy Higher Education (CMHE) and Sisters of Mercy of the Americas are religious sponsors of the University and hold two executive committee member seats on the University's Board of Trustees. The conditions of the University's affiliation with CMHE and the Sisters of Mercy of the Americas include limitations on changes to the University's Roman Catholic identity and require approval for material disposals of assets.

Transactions between the University and any of its trustees, officers or key employees are subject to the University's conflict of interest policies, which require disclosure of conflicting interests and abstention by the conflicted persons from the University's decision making. During the years ended June 30, 2024 and June 30, 2023, the University had the following related party transactions:

	2024	2023
Gifts and pledge payments	$ 237,000	$ 121,000
In-kind value for services provided to the University	6,500	-

15. Liquidity and Availability of Resources

The University's working capital and cash flows have seasonal variations during the year attributable to the annual cash receipts for tuition charges and collections on student accounts in relation to the start of academic semesters. As part of the University's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities and other obligations come due. To help manage unanticipated liquidity needs, the University has an unsecured line of credit in the amount of $2,500,000. The University paid down the line of credit in 2024 and did not make another draw during the year. The University also entered into a Securities Backed Line of Credit with availability of approximately $20,400,000 at June 30, 2024 which it did not use during fiscal 2024.

The following reflects the University's financial assets as of the consolidated statements of financial position date, reduced by amounts not available for general use within one year of the consolidated statements of financial position date because of contractual or donor-imposed restrictions or internal designations. Amounts available include the board-approved appropriation from the endowment fund for the following year as well as donor-restricted amounts that are available for general expenditure in the following year. Amounts not available include amounts set aside for special projects and institutional support that could be drawn upon if the Board of Trustees approves that action.

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

Cash and cash equivalents not encumbered by donor restriction for time and purpose	$ 6,364,000
Student accounts receivable	2,276,000
Pledges receivable without donor restriction	110,000
Other receivables	166,000
Restricted cash, letters of credit to be depleted within one year	2,795,000
Annual spending allowance available within one year	1,204,000
Board-designated endowment funds made available for special projects and institutional support within one year	10,000,000
Financial assets available to meet cash needs for general expenditures within one year	$ 22,915,000

The University's endowment funds consist of donor-restricted endowments and a board-designated endowment. Income from donor-restricted endowments is restricted for specific purposes and, therefore, is not available for general expenditure. The donor-restricted endowments have a spending rate of 5.5% and $1,024,000 of appropriations from the donor-restricted endowments will be available within the next 12 months. In addition, the University has a board-designated endowment of $47,539,000.