



Bond Compliance Documentation **Fiscal Year Ended May 31, 2024**

Cheltenham Township Industrial Development Authority
Arcadia University Revenue Bonds Series of 2024

Montgomery County Higher Education and Health Authority
Arcadia University Revenue Bonds Series of 2015
Arcadia University Revenue Bonds Series of 2016
Arcadia University Revenue Bonds Series of 2020

Compliance with Bond Document Provisions:

All covenants included in the bond documents have been met for the Fiscal Year Ended May 31, 2024.

Maximum Annual Debt Service for future years is \$6,784,000.

Debt Service for the Fiscal Year Ended May 31, 2024, was \$6,293,000.

Debt Service for Fiscal Year Ended May 31, 2025, is expected to be \$6,779,000.

All Trustee held funds are in "Eligible Investments" pursuant to the bond documents.

As part of the \$23,025,000 Cheltenham Township Industrial Development Authority, Arcadia University Revenue Bonds, Series 2024 (the "Series 2024"), Arcadia University provided a mortgage on the University's property located at 125 Royal Avenue. For additional information about the Series 2024 and this mortgage see the Official Statement for the Series 2024.

The University has not transferred cash or property exceeding 5% of the book value of the institution's property.

The University has not received any title or casualty insurance or condemnation award aggregating \$250,000 or more.

The University has not entered into any derivative products on outstanding debt.

The University has not had any material changes in investment policy related to its funds held for endowment purposes.

The University has not engaged in any off-balance sheet financings.

The University is not formally affiliated with any religious organization or denomination.

Arcadia University is accredited by the Middle States Commission on Higher Education.

The University is not aware of any other significant events or items which could affect the Institution's operations, affairs, proprieties, conditions, prospects, or access to Federal or State loans or grants.

Line of Credit

The University currently has a working capital line of credit from PNC Bank, National Association (the LOC Bank), under which it can borrow up to an amount equal to \$7,500,000 pursuant to a loan agreement dated as of April 28, 2023. The University's obligations are evidenced by a revolving line of credit note (the 2023 LOC Note) in favor of the LOC Bank. A first amendment to the 2023 LOC note dated April 22, 2024, extended its maturity date until April 26, 2025. The 2023 LOC Note bears interest at a rate per annum, which is equal to the sum of Daily SOFR plus 135 basis points (1.35%). The 2023 LOC Note is secured by a pledge and assignment by the University of the pledged university revenues and is on parity with the other indebtedness described in the Intercreditor Agreement. There was no outstanding balance on the line of credit as of May 31, 2024.

Attachments:

Supplemental Enrollment and Financial Data

Financial Covenant Calculations

Audited Financial Statements the Fiscal Year Ended May 31, 2024.

Management Letter (None for the Fiscal Year Ended May 31, 2024)

Pending Litigation - None

Arcadia University
Supplemental Enrollment and Financial Data
Fiscal Years and Enrollment Dates as Indicated

University Enrollment	FYE 5/31/2025	FYE 5/31/2024	FYE 5/31/2023	FYE 5/31/2022	FYE 5/31/2021
	Fall 2024	Fall 2023	Fall 2022	Fall 2021	Fall 2020
Full Time Undergraduate Applications and Enrollment					
Undergraduate Freshmen					
Received	10,163	6,688	6,326	5,690	8,884
Accepted	8,153	5,296	4,906	4,654	6,541
Matriculated	598	415	483	390	485
Matriculated Average SAT	1,164	1,186	1,213	1,175	1,135
% of Matriculated out of State	37%	44%	46%	41%	38%
Undergraduate Transfers					
Received	786	522	421	447	488
Accepted	381	230	277	191	242
Matriculated	136	71	57	74	68
Freshmen Retention Rate					
	79%	81%	80%	77%	74%
Five Year Graduation Rate					
	57%	65%	61%	61%	64%
Full Time Graduate Applications and Enrollment					
Received	2,676	2,350	3,862	3,062	2,801
Accepted	999	886	672	502	508
Matriculated	289	298	252	199	221
Full Time Student Discount Rates as % of Tuition					
Full Time Freshmen	65%	64%	65%	63%	63%
All Full Time Undergraduate	60%	58%	57%	48%	47%
All Full Time Graduate	7%	6%	10%	10%	12%
All Full Time Students	50%	48%	44%	43%	41%
Headcount					
Undergraduate Full Time	1,818	1,581	1,628	1,646	1,769
Undergraduate Part Time	212	309	242	186	245
Total Undergraduate	2,030	1,890	1,870	1,832	2,014
Graduate Full Time	611	560	547	518	511
Graduate Part Time	763	693	609	714	775
Total Graduate	1,374	1,253	1,156	1,232	1,286
Total Headcount	3,404	3,143	3,026	3,064	3,300
Full Time Equivalents					
Undergraduates	1,889	1,684	1,709	1,708	1,851
Graduates	865	791	750	756	769
Total FTE	2,754	2,475	2,459	2,464	2,620

Arcadia University
Supplemental Enrollment and Financial Data
Fiscal Years and Enrollment Dates as Indicated

University Enrollment	FYE 5/31/2025	FYE 5/31/2024	FYE 5/31/2023	FYE 5/31/2022	FYE 5/31/2021
	Fall 2024	Fall 2023	Fall 2022	Fall 2021	Fall 2020
Financial Aid/Institutionally Funded Scholarships					
State Grant Funds	2,205,281	2,205,281	2,075,303	1,642,577	2,041,334
Federal Grant Funds	4,947,073	3,344,530	2,919,662	3,023,889	3,552,584
College Funded Grant Aid	56,240,387	46,483,452	46,118,181	42,238,822	41,993,276
FFEL /Direct Loans (Stafford, Plus, Consolidated)	35,891,984	33,435,021	30,573,910	28,729,890	27,037,406
% of headcount with financial aid	96%	95%	95%	80%	70%
Undergraduate Student Fees					
Annual Charges					
Tuition	\$48,760	\$47,590	\$46,430	\$45,520	\$44,620
Fees	950	700	700	700	700
Room and Board	14,380	14,090	13,720	14,170	14,050
% Tuition Discount (total)	60%	58%	57%	48%	47%
Part-Time					
Tuition per credit hour	\$810	\$790	\$775	\$760	\$745
Faculty/Staff Headcount					
Faculty (full-time)	144	148	147	150	157
Faculty (part-time)	293	230	238	199	200
Administrative Staff (full-time)	320	326	341	287	341
Administrative Staff (part-time)	81	89	61	63	61
Total	838	793	787	699	759
	Total Number	Total Number	Total Number	Total Number	Total Number
Professors	31	27	30	27	30
Associate Professors	54	55	52	53	52
Assistant Professors	56	62	70	68	70
Instructors	3	4	4	6	5
Total	144	148	156	154	157
Adjuncts	293	230	238	195	200
	As of May 31, 2024	As of May 31, 2023	As of May 31, 2022	As of May 31, 2021	As of May 31, 2020
Student to Faculty Ratio (FTE's)	11 to 1	10 to 1	12 to 1	11 to 1	12 to 1
	As of May 31, 2024	As of May 31, 2023	As of May 31, 2022	As of May 31, 2021	As of May 31, 2020
Funds Held for Investment (000) omitted					
Mutual Funds					
Equity	26,498	31,023	46,777	58,630	50,916
Fixed	32,918	30,016	23,013	29,383	21,953
	59,416	61,039	69,790	88,013	72,869
Other Investments	910	858	905	1,013	842
Alternative Investments	4,546	4,740	6,035	5,569	3,805
Forward Foreign Exchange Contracts	148	(88)	(318)	-	(593)
Total Funds Held for Investment	65,020	66,549	76,412	94,595	76,923
Amount Permanently Restricted	24,043	23,341	21,420	20,234	19,389

Arcadia University
Supplemental Enrollment and Financial Data
Fiscal Years and Enrollment Dates as Indicated

University Enrollment	FYE 5/31/2025	FYE 5/31/2024	FYE 5/31/2023	FYE 5/31/2022	FYE 5/31/2021
	Fall 2024	Fall 2023	Fall 2022	Fall 2021	Fall 2020
<hr/>					
Gifts, Contributions, and Grants	As of May 31, 2024	As of May 31, 2023	As of May 31, 2022	As of May 31, 2021	As of May 31, 2020
Alumni	2,593,851	3,272,601	1,213,927	1,106,780	1,110,780
Trustees	220,725	552,784	332,832	283,998	135,799
Parents	38,838	63,769	51,893	18,920	39,254
Friends	492,242	129,975	52,935	71,489	115,379
Foundations	466,073	573,192	475,907	185,025	500,360
Corporations	156,147	204,765	225,345	153,274	150,198
Matching	8,900	33,463	50,805	40,795	23,190
Other	454,156	89,628	238,080	651,806	87,275
<hr/>					
Total	4,430,932	4,920,176	2,641,724	2,512,088	2,162,235
Total Unrestricted	727,239	753,826	692,796	692,624	564,741

Information regarding the Statement of Activities & historical operating results are contained in the financial statements of the University for the fiscal year ended May 31, 2024.

Arcadia University
Debt Service Covenant Calculations
2015 Series Revenue Bonds, 2016 Revenue Bonds, 2020 Revenue Bonds, and 2024 Revenue Bonds

	Year Ended
Debt Rate Covenant:	5/31/2024
<u>Net Revenues Available for Debt Service</u>	
Total unrestricted operating revenues (University)	82,734
Less total unrestricted operating expenses	(89,266)
Plus total unrestricted operating revenues (TCGS)	40,315
Less total unrestricted operating expenses (TCGS)	(35,569)
Unrestricted Endowment	23,393
Depreciation	5,716
Interest	3,053
Net revenues available for debt service	<u>\$30,376</u>
<u>Maximum Annual Debt Service</u>	
Maximum Annual Debt Service	<u>\$6,784</u>
Debt service coverage	4.48
Required coverage	1.1
Required coverage for additional bonds	1.2

Arcadia University

Financial Statements

May 31, 2024 and 2023

Arcadia University

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May 31, 2024 and 2023

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Independent Auditors' Report

To the Board of Trustees of
Arcadia University

Opinion

We have audited the financial statements of Arcadia University (the University), which comprise the statements of financial position as of May 31, 2024 and 2023, and the related statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the University as of May 31, 2024 and 2023, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America (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 22, 2024

Arcadia University

Statements of Financial Position

May 31, 2024 and 2023

(In Thousands)

	2024	2023
	<u> </u>	<u> </u>
Assets		
Cash and cash equivalents	\$ 29,740	\$ 28,044
Restricted cash	3,987	406
Student accounts receivable, net	3,894	4,562
Contributions receivable, net (Note 4)	1,769	1,514
Student loans receivable, net	1,464	1,189
Inventories, prepaid expenses and other assets	3,793	4,196
Investments (Note 3)	65,020	66,549
Trust funds held by others	2,352	2,150
Right-of-use assets (Note 15)	2,953	5,605
Land, buildings and equipment, net (Note 5)	127,594	124,134
	<u> </u>	<u> </u>
Total assets	<u>\$ 242,566</u>	<u>\$ 238,349</u>
Liabilities and Net Assets		
Liabilities		
Accounts payable	\$ 2,514	\$ 1,748
Accrued expenses	8,853	9,749
Deferred revenue and deposits	14,601	11,613
Other liabilities	1,122	1,154
Lease liability, operating (Note 15)	2,812	5,203
Annuities payable	220	232
Accrued postretirement medical benefits (Note 12)	1,761	1,790
Asset retirement obligation (Note 6)	567	548
Refundable loan funds	192	233
Long-term debt, net (Note 7)	69,808	65,241
	<u> </u>	<u> </u>
Total liabilities	<u>102,450</u>	<u>97,511</u>
Net Assets		
Net assets without donor restrictions (Note 9)	91,572	97,500
Net assets with donor restrictions (Note 9)	48,544	43,338
	<u> </u>	<u> </u>
Total net assets	<u>140,116</u>	<u>140,838</u>
Total liabilities and net assets	<u>\$ 242,566</u>	<u>\$ 238,349</u>

See notes to financial statements

Arcadia University

Statement of Activities

Year Ended May 31, 2024 With Comparative Totals for 2023

(In Thousands)

	Without Donor Restrictions	With Donor Restrictions	2024 Total	2023 Total
Arcadia University				
Operating Revenues				
Student tuition and fees,				
net of financial assistance provided of \$40,983	\$ 61,000	\$ -	\$ 61,000	\$ 59,750
Sales and service of auxiliary enterprises,				
net of financial assistance provided of \$3,845	9,032	-	9,032	9,382
Government grants	822	1,545	2,367	2,360
Private gifts and grants	837	1,253	2,090	1,515
Investment return	277	-	277	175
Endowment draw used for operations	7,561	-	7,561	7,441
Other sources	770	-	770	785
Net assets released from restrictions	2,435	(2,435)	-	-
Total operating revenues	82,734	363	83,097	81,408
Operating Expenses				
Instruction	32,731	-	32,731	31,972
Academic support	6,622	-	6,622	6,852
Student services	18,120	-	18,120	17,209
Institutional support	19,662	-	19,662	20,378
Auxiliary enterprises	9,705	-	9,705	9,156
Research and public service	2,426	-	2,426	2,160
Total operating expenses	89,266	-	89,266	87,727
Change in net assets from operations, Arcadia University	(6,532)	363	(6,169)	(6,319)
The College of Global Studies				
Student tuition and fees,				
net of financial assistance provided of \$759	39,556	-	39,556	30,828
Investment return	692	-	692	391
Other sources	67	-	67	62
Total revenues	40,315	-	40,315	31,281
The College of Global Studies expenses	35,569	-	35,569	28,028
Change in net assets from operations, The College of Global Studies	4,746	-	4,746	3,253
Change in net assets from operating activities	(1,786)	363	(1,423)	(3,066)
Nonoperating Activities				
Endowment gifts	-	904	904	1,815
Gain on fair value of foreign exchange contracts	236	-	236	231
Investment return, net of endowment draw used for operations	(3,985)	3,939	(46)	(10,866)
(Loss) gain on postretirement medical benefit obligation	(86)	-	(86)	159
Loss on bond defeasance	(307)	-	(307)	-
Change in net assets from nonoperating activities	(4,142)	4,843	701	(8,661)
Total change in net assets	(5,928)	5,206	(722)	(11,727)
Net Assets, Beginning	97,500	43,338	140,838	152,565
Net Assets, Ending	\$ 91,572	\$ 48,544	\$ 140,116	\$ 140,838

See notes to financial statements

Arcadia University

Statement of Activities

Year Ended May 31, 2023

(In Thousands)

	Without Donor Restrictions	With Donor Restrictions	2023 Total
Arcadia University			
Operating Revenues			
Student tuition and fees, net of financial assistance provided of \$42,132	\$ 59,750	\$ -	\$ 59,750
Sales and service of auxiliary enterprises, net of financial assistance provided of \$2,939	9,382	-	9,382
Government grants	1,140	1,220	2,360
Private gifts and grants	759	756	1,515
Investment return	175	-	175
Endowment draw used for operations	7,441	-	7,441
Other sources	785	-	785
Net assets released from restrictions	2,078	(2,078)	-
Total operating revenues	81,510	(102)	81,408
Operating Expenses			
Instruction	31,972	-	31,972
Academic support	6,852	-	6,852
Student services	17,209	-	17,209
Institutional support	20,378	-	20,378
Auxiliary enterprises	9,156	-	9,156
Research and public service	2,160	-	2,160
Total operating expenses	87,727	-	87,727
Change in net assets from operations, Arcadia University	(6,217)	(102)	(6,319)
The College of Global Studies			
Student tuition and fees, net of financial assistance provided of \$615	30,828	-	30,828
Investment return	391	-	391
Other sources	62	-	62
Total revenues	31,281	-	31,281
The College of Global Studies expenses	28,028	-	28,028
Change in net assets from operations, The College of Global Studies	3,253	-	3,253
Change in net assets from operating activities	(2,964)	(102)	(3,066)
Nonoperating Activities			
Endowment gifts	-	1,815	1,815
Gain on fair value of foreign exchange contracts	231	-	231
Investment return, net of endowment draw used for operations	(7,830)	(3,036)	(10,866)
Gain on postretirement medical benefit obligation	159	-	159
Change in net assets from nonoperating activities	(7,440)	(1,221)	(8,661)
Total change in net assets	(10,404)	(1,323)	(11,727)
Net Assets, Beginning	107,904	44,661	152,565
Net Assets, Ending	\$ 97,500	\$ 43,338	\$ 140,838

See notes to financial statements

Arcadia University

Statements of Cash Flows

Years Ended May 31, 2024 and 2023

(In Thousands)

	<u>2024</u>	<u>2023</u>
Cash Flows From Operating Activities		
Change in net assets	\$ (722)	\$ (11,727)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation expense	5,716	5,630
Accretion of bond premium and issuance costs	(225)	(560)
Provisions for bad debt	380	569
Contributions restricted for long-term investments	(904)	(1,815)
Contributions restricted for long-lived assets	(151)	(78)
Endowment restricted (gain) loss on investments	(202)	106
Change in fair value of investments and foreign exchange contracts	12	10,636
Loss on foreign currency for long-term liabilities	267	-
Change in valuation of accrued postretirement medical benefits	86	(159)
Change in asset retirement obligation	19	26
Loss on bond defeasance	307	-
(Increase) decrease in:		
Student accounts receivable, net	354	718
Contributions receivable, net	(321)	(508)
Student loans receivable, net	(275)	(413)
Inventories, prepaid expenses and other assets	401	(897)
Increase (decrease) in:		
Accounts payable and accrued expenses	(109)	(366)
Deferred revenue and deposits	2,988	1,475
Other liabilities	(32)	(163)
Annuities payable	(12)	(12)
Accrued postretirement medical benefits	(115)	(132)
Refundable loan funds	(41)	(31)
Net cash provided by operating activities	<u>7,421</u>	<u>2,299</u>
Cash Flows From Investing Activities		
Purchase of land, buildings and equipment	(9,201)	(11,927)
Proceeds from sale of investments	22,049	26,976
Purchase of investments	(20,532)	(27,749)
Net cash used in investing activities	<u>(7,684)</u>	<u>(12,700)</u>
Cash Flows From Financing Activities		
Proceeds from issuance of long-term debt	23,210	-
Redemption of outstanding long-term debt	(14,785)	-
Cost of bond issuance	(670)	-
Principal payments on long-term debt	(3,270)	(3,120)
Payments on finance lease obligation	-	(4)
Contributions restricted for long-term investment	904	1,815
Contributions restricted for long-lived assets	151	78
Net cash provided by (used in) financing activities	<u>5,540</u>	<u>(1,231)</u>
Net increase (decrease) in cash and cash equivalents	5,277	(11,632)
Cash and Cash Equivalents, Beginning	<u>28,450</u>	<u>40,082</u>
Cash and Cash Equivalents, Ending	<u><u>\$ 33,727</u></u>	<u><u>\$ 28,450</u></u>
Supplementary Disclosure of Cash Flow Information		
Cash and cash equivalents	\$ 29,740	\$ 28,044
Restricted cash	3,987	406
Total cash and cash equivalents, ending	<u><u>\$ 33,727</u></u>	<u><u>\$ 28,450</u></u>

See notes to financial statements

1. Organization

Arcadia University (the University), founded in 1853, offers a wide array of liberal arts and professional programs. The University offers high quality, undergraduate degree programs in more than 30 fields of study, as well as graduate degrees and certificates of advanced study. The University also offers one of the largest campus-based study abroad programs in the country. Through the College of Global Studies (TCGS), students may participate in any of more than 85 programs in thirteen foreign countries.

2. Summary of Significant Accounting Policies

Basis of Presentation

The University's 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 the statements of financial position; reports the change in net assets in the statements of activities; and reports the sources and uses of cash and cash equivalents in the statements of cash flows.

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. Net assets without donor restriction may be designated for specific purposes by action of the Board of Trustees.

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

Cash and Cash Equivalents

The University treats all highly liquid investments with an average maturity of 90 days or less at the time of purchase as cash equivalents. These investments include cash, foreign currencies, certificates of deposit and money market funds. As of May 31, 2024 and 2023, the University held approximately \$4,438,000 and \$5,083,000 in foreign currencies, respectively.

Restricted Cash

Restricted cash includes funds legally restricted for certain construction projects and funds held on tenant deposits.

Concentration of Credit Risk

Financial instruments of the University that expose it to concentration of credit risk consist primarily of cash and cash equivalents, restricted cash, trust funds held by others and investments. These funds are held in various high quality financial instruments managed by University personnel or outside advisors. The University believes that concentration of credit risk is limited with respect to its cash and cash equivalents, trust funds held by others and investments.

Other financial instruments that potentially subject the University to concentrations of credit risk are receivables. Receivables result primarily from tuition and fees, student loans and contributions. Concentrations of credit risk with respect to contributions receivable are limited due to the composition of the University's contributor base.

Investments

The University accounts for its investments in marketable securities at their fair value. Adjustments to reflect increases or decreases in market value, referred to as investment return, are reported in the statements of activities.

Realized gains and losses arising from the sale of investments and ordinary income from investments are reported as changes in net assets without donor restrictions unless their use is restricted by explicit donor-imposed stipulations.

Equity and fixed income mutual funds are valued at quoted market prices. The University also invests in a variety of alternative investments. Alternative investments include limited partnerships in natural resources, distressed debt funds, venture capital in emerging growth companies and private equity. In the absence of readily determinable fair value, value is determined based on a review of audited financial statements of the underlying funds, when available, and other information provided by fund managers, and research performed by the University's management. Investments in such funds do carry certain risks, including lack of regulatory oversight, interest rate risk and market risk. Due to the level of risk associated with these investments and the level of uncertainty related to changes in the fair value of investment securities, it is at least reasonably possible that changes in risk factors in the near term would materially affect the amounts reported in the statements of financial position.

At May 31, 2024 and 2023, the University had remaining capital commitments on alternative investments of \$655,000 and \$675,000, respectively, (see Note 13).

Revenue Recognition and Disaggregation of Revenue

The University's tuition and fees 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. Students who adjust their course load or withdraw completely by the fifth week of the fall and spring semester, or by the end of the first week for the summer semester, receive a prorated refund based on the date of adjustment or withdrawal, in accordance with the University's refund policy. Historically, refunds have been less than 1% of the total amount billed. Refunds issued reduce the amount of revenue recognized. Payments for tuition are due approximately two weeks prior to the start of the academic term.

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The University's auxiliary enterprises revenue exist 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 enterprises 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. Minimal housing and dining 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.

TCGS tuition and fees include fees charged for housing, as students that participate in the international programs are provided housing as part of the University's performance obligation. TCGS tuition and fees revenue is recognized over the period of the academic program, which differ for each international program. Institutional aid awarded to students reduces the amount of revenue recognized. In addition, students who withdraw completely or change their housing status within the first week of the academic term may receive a partial refund in accordance with TCGS' refund policy. Historically, refunds have been less than 1% of the total amount billed. Refunds issued reduce the amount of revenue recognized. Payments for tuition are due prior to the start of any program.

The University's revenues are disaggregated as follows:

	Year Ended May 31, 2024		
	Gross Revenue Charges	Discounts and Institutional Aid	Net Revenue
	(In Thousands)		
Undergraduate program tuition and fee revenue	\$ 73,974	\$ 39,009	\$ 34,965
Graduate program tuition and fee revenue	27,672	1,974	25,698
Other program tuition and fee revenue	337	-	337
Housing and meal plan revenue	12,200	3,845	8,355
Other auxiliary revenue	677	-	677
TCGS tuition, fee and housing revenue	40,315	759	39,556
TCGS other revenue	67	-	67
Total	\$ 155,242	\$ 45,587	\$ 109,655

	Year Ended May 31, 2023		
	Gross Revenue Charges	Discounts and Institutional Aid	Net Revenue
	(In Thousands)		
Undergraduate program tuition and fee revenue	\$ 75,162	\$ 40,123	\$ 35,039
Graduate program tuition and fee revenue	26,311	2,009	24,302
Other program tuition and fee revenue	409	-	409
Housing and meal plan revenue	11,808	2,939	8,869
Other auxiliary revenue	513	-	513
TCGS tuition, fee and housing revenue	31,443	615	30,828
TCGS other revenue	62	-	62
Total	\$ 145,708	\$ 45,686	\$ 100,022

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Deferred revenue represents payments received prior to the start of the academic term. The following table depicts activities for deferred revenue related to tuition (in thousands):

	Balance at May 31, 2023	Refunds Issued	Revenue Recognized in FY2024	Cash Received in Advance of Performance	Balance at May 31, 2024
Undergraduate program tuition and fee revenue	\$ 724	\$ -	\$ 724	\$ 582	\$ 582
Graduate program tuition and fee revenue	7,122	-	7,122	9,469	9,469
Housing and meal plan revenue	24	-	24	-	-
TCGS tuition, fee and housing revenue	3,743	-	3,743	4,550	4,550
Total	\$ 11,613	\$ -	\$ 11,613	14,601	\$ 14,601
	Balance at May 31, 2022	Refunds Issued	Revenue Recognized in FY2023	Cash Received in Advance of Performance	Balance at May 31, 2023
Undergraduate program tuition and fee revenue	\$ 1,302	\$ -	\$ 1,302	\$ 724	\$ 724
Graduate program tuition and fee revenue	6,060	-	6,060	7,122	7,122
Housing and meal plan revenue	50	-	50	24	24
TCGS tuition, fee and housing revenue	2,726	-	2,726	3,743	3,743
Total	\$ 10,138	\$ -	\$ 10,138	\$ 11,613	\$ 11,613

The balance of deferred revenue at May 31, 2024, less any refunds issued, will be recognized as revenue over the associated academic term, as services are rendered. 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.

Receivables

Student accounts receivable consist of amounts billed to students for tuition and auxiliary enterprises. Accounts receivable are presented net of an allowance for credit losses, which is an estimate of amounts that may not be collectible. The University separates accounts receivable into risk pools based on their aging. In determining the amount of the allowance as of the statements of financial position date, the University develops a loss rate for each risk pool. This loss rate is based on management's historical collection experience, adjusted for management's expectations about current and future economic conditions. At June 30, 2024, the University increased its historical loss rates for each aging category by 5% due to rising inflation and the changing landscape of higher education.

Changes in the allowance for credit losses for the year ended June 30, 2024 were as follows:

Credit loss allowance, beginning of the period	\$ 455,223
Provisions for bad debt	576,213
Write-offs, net of recoveries	(715,894)
Credit loss allowance, end of period	<u>\$ 315,542</u>

Contributions receivable include all unconditional promises to give less management's estimate of an allowance to reflect their net realizable value.

The student loans receivable represents loans to students funded by advances to the University by the federal government under the Federal Perkins Loan Program (the Program). Funding for the Program comes from prior program loans already in repayment and previously contributed federally contributed funds and institutionally contributed funds. The University acts as custodian of all Perkins federal student program loan funds and loans receivable. The Extension Act amended Section 461 of the Higher Education Act to end the University's authority to make new Perkins Loans after May 31, 2018. The University is not required to assign the outstanding Perkins Loans to the Department of Education or liquidate their 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 May 31, 2024, the University continues to service the Perkins Loan Program.

The federal government's portion of these funds at May 31, 2024 and 2023 was \$192,000 and \$233,000, respectively. As of May 31, 2024 and 2023, \$121,000 and \$336,000 was carried as student loans receivable related to the Program, respectively.

The University participates in the Federal Direct Loan Program. Funds owed to the University from the government as a result of the Federal Direct Loan program were \$1,343,000 and \$853,000 at May 31, 2024 and 2023, respectively.

Charitable Gift Annuities

The University has entered into charitable gift annuity agreements. Revenue is recognized pursuant to the annuity agreements based on the fair value of the assets contributed less a liability for the present value of the payments expected to be made to the beneficiaries.

The fair value of assets for the charitable gift annuities was \$704,000 and \$669,000 at May 31, 2024 and 2023, respectively, and is included in investments in the statements of financial position. The liability associated with the annuities was \$220,000 and \$232,000 at May 31, 2024 and 2023, respectively.

Inventories

Inventories are valued at cost using the average cost method. The University's inventories consist of office and physical plant supplies.

Land, Buildings and Equipment, Net

Property and equipment are stated at cost at date of acquisition or at fair market value at date of donation in the case of gifts. Expenditures for new construction, major renewals and replacements and equipment costing over \$5,000 are capitalized. Land, buildings and equipment are depreciated over their estimated useful lives using the straight-line method (20 years for land improvements; 20-87 years for buildings and improvements; 5-10 years for furniture and equipment and 10 years for library holdings). Upon retirement or disposition of the land, buildings and equipment, the cost and related accumulated depreciation are removed from the accounts and any resulting gain or loss is recognized in the statements of activities.

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.

Other Liabilities

Other liabilities consist of funds for clubs and sports teams in which the University acts as an agent and refundable advances associated with vendors that are recognized over the period of the associated contracts.

Lease Liabilities

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 when measuring its leases as the rate implicit in the lease if not readily determinable.

Lease Liability, Operating

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 statements of cash flows.

Derivative Financial Instruments

The functional currency for the majority of the University's international programs is the applicable local currency. The University sets prices for its international programs in U.S. dollars 3 to 12 months prior to the program start date. The University is therefore subject to a significant amount of foreign exchange risk. In order to offset this exchange risk, it is the University's practice to purchase forward foreign exchange contracts with major banks. No cash is exchanged at the time a foreign exchange contract commitment is made; however, the contract implies an irrevocable promise by the University to purchase a specified amount of foreign currency at a specific price. Generally, these contracts are held to maturity.

The University has forward foreign exchange derivative contract instruments measured at fair value and recognized as either an asset or liability on the statements of financial position and the changes in the fair value of derivative instruments are recognized as gain or loss on fair value of foreign exchange contracts on the statements of activities. Due to the timing between the fiscal year-end close and the maturity of the contracts, the University recorded a gain of \$236,000 and \$231,000 to record the fair value of outstanding forward foreign exchange contracts for the years ended May 31, 2024 and 2023, respectively.

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The fair value of University's forward foreign exchange contracts, reflected in investments on the statements of financial position, were as follows at May 31:

	<u>Asset</u>	<u>Liability</u>	<u>U.S. Dollar</u>
		(In Thousands)	Notional
2024	\$ 148	\$ -	\$ 12,570
2023	-	88	5,088

Foreign Currency Translation

The translation from the applicable foreign currencies to U.S. dollars is performed for statements of financial position accounts using current exchange rates in effect at the statements of financial position date and for revenue and expense accounts using a weighted-average exchange rate for the years ended May 31, 2024 and 2023.

Foreign currency translation losses are recognized in TCGS expenses based on exchange rate changes for the years ended May 31, 2024 and 2023 were \$(84,000) and \$(775,000), respectively.

A foreign currency translation loss recognized in TCGS expenses based on exchange rate changes for the lease liability of international facilities for the year ended May 31, 2024 was \$(267,000).

Fundraising Expenses

For the years ended May 31, 2024 and 2023, direct expenses for fundraising were \$1,506,000 and \$1,596,000, respectively.

Nonoperating Activities

The University considers endowment gifts, net gain and loss on sale of foreign exchange contracts, investment return in excess or deficiency of its spending policy, changes in the postretirement medical benefits obligation and unusual and other nonrecurring transactions to be nonoperating activities.

Allocation of Certain Expenses

The financial statements report certain expenses that are attributable to one or more program or supporting function of the University. Plant operations and maintenance, depreciation, interest and accretion are allocated based on square footage.

Income Taxes

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

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 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 and 2023.

The University's Federal Exempt Organization Business Income tax returns for 2023, 2022 and 2021 remain subject to examination by the Internal Revenue Service.

Use of Estimates

The preparation of the financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, 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.

New Accounting Standards Adopted in the Current Year

In June 2016, the FASB issued Accounting Standards Update (ASU) No. 2016-13, *Financial Instruments—Credit Losses* (Topic 326). The ASU introduces a new credit loss methodology, Current Expected Credit Loss (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 GAAP, which generally require that a loss be incurred before it is recognized. On June 1, 2023, the University adopted the ASU using the modified retrospective approach. The adoption did not have a material impact on the financial statements.

Reclassifications

Certain reclassifications have been made to the 2023 financial statement presentation to correspond to the current year's format.

Subsequent Events

The University evaluated subsequent events for recognition or disclosure through October 22, 2024, the date the financial statements were issued.

3. Investments

The University's investments were as follows at May 31:

	2024	2023
	(In Thousands)	
Mutual funds:		
Equity funds	\$ 26,498	\$ 31,023
Fixed income funds	32,918	30,016
Total mutual funds	59,416	61,039
Other investments	910	858
Alternative investments	4,546	4,740
Forward foreign exchange contracts	148	(88)
Total	<u>\$ 65,020</u>	<u>\$ 66,549</u>

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Notes to Financial Statements

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4. Contributions Receivable, Net

Contributions receivable include all unconditional promises to give and are measured at fair value on a nonrecurring basis. Contributions that are expected to be collected within one year are recorded at net realizable value. Contributions that are expected to be collected in future years are recorded at the present value of their estimated future cash flows with a discount rate adjusted for market conditions to arrive at fair value, the risk-adjusted rates range from 3.0% to 5.0%. Amortization of the discounts is included in contribution revenue. Conditional promises to give are not included as support until the conditions are substantially met.

Included in contributions receivable, net are the following unconditional promises at May 31:

	2024	2023
	(In Thousands)	
Unconditional promises expected within one year	\$ 1,205	\$ 876
Unconditional promises expected between one and five years	966	974
Total	2,171	1,850
Less:		
Discount	76	58
Allowance for uncollectible amounts	326	278
Total	402	336
Unconditional promises to give net of unamortized discount and allowance for uncollectible amounts	\$ 1,769	\$ 1,514

5. Land, Buildings and Equipment, Net

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

	2024	2023
	(In Thousands)	
Land and land improvements	\$ 16,757	\$ 16,566
Leasehold improvements	243	243
Buildings and improvements	177,904	177,214
Furniture and equipment	57,671	56,416
Library holdings	3,764	3,764
Construction in progress	9,645	2,608
Total	265,984	256,811
Less accumulated depreciation	138,390	132,677
Total	\$ 127,594	\$ 124,134

The University incurred depreciation expense of \$5,716,000 and \$5,630,000 during the years ended May 31, 2024 and 2023, respectively.

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6. Asset Retirement Obligation

The University recognizes the cost associated with the eventual remediation and abatement of asbestos and other regulated substances located within the construction of the University's land, buildings and equipment. The cost of the abatement was estimated utilizing an externally conducted survey for asbestos identification and contractor estimates for remediation integrated with management's future remediation plans. The University recorded an asset retirement obligation liability of \$567,000 and \$548,000 at May 31, 2024 and 2023, respectively. Included in the balance for accretion of interest related to unconditional asset retirement obligations recognized is \$34,000 and \$32,000 for the years ended May 31, 2024 and 2023, respectively. There were \$15,000 and \$6,000 in actual remediation and abatement costs for the years ended May 31, 2024 and 2023, respectively.

7. Long-Term Debt, Net

Long-term debt, net consisted of the following at May 31:

	Interest Rate	Term	Principal Balance	
			2024	2023
			(In Thousands)	
University revenue bonds:				
Fixed rate issues:				
Series 2013	2.00-5.75 %	2013-2040	\$ -	\$ 15,360
Series 2015	3.00-5.00	2015-2035	24,070	24,335
Series 2016	5.00	2016-2027	4,590	6,330
Series 2020	4.00-5.00	2020-2039	16,365	17,055
Series 2024	5.00-5.75	2024-2054	23,025	-
Total long-term debt			68,050	63,080
Debt issuance premium			2,729	2,772
Unamortized debt issuance cost			(971)	(611)
Total long-term debt, net			\$ 69,808	\$ 65,241

In May 2024, the University issued \$23,025,000 of Cheltenham Township Industrial Development Authority Revenue Bonds, Series of 2024 (2024 Bonds). The 2024 Bonds were issued for the refunding of the outstanding Montgomery County Higher Education and Health Authority Revenue Bonds, Series of 2013, \$14,785,000 of which had been outstanding at the time of refunding and the undertaking of various capital projects including, but not limited to the construction of a multi-purpose building on the University's Glenside campus, construction and renovations at the facilities comprising the Royal Avenue Property and the renovation of certain student housing facilities. Payment of certain costs and expenses of issuing the 2024 Bonds were made from the bond proceeds.

In February 2020, the University issued \$18,340,000 of Montgomery County Higher Education and Health Authority Revenue Bonds, Series of 2020 (2020 Bonds). The 2020 Bonds were issued for the refunding of the outstanding Montgomery County Higher Education and Health Authority Revenue Bonds, Series of 2010, \$23,000,000 of which had been outstanding at the time of refunding. Payment of certain costs and expenses of issuing the 2020 Bonds were made from the bond proceeds.

In January 2016, the University issued \$9,960,000 of Montgomery County Higher Education and Health Authority Revenue Bonds, Series of 2016 (2016 Bonds). The 2016 Bonds were issued for a current refunding of the outstanding Montgomery County Higher Education and Health Authority Revenue Bonds, Second Series of 2006, \$11,265,000 of which had been outstanding at the time of refunding. Payment of certain costs and expenses of issuing the 2016 Bonds were made from the bond proceeds.

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In June 2015, the University issued \$34,240,000 of Montgomery County Higher Education and Health Authority Revenue Bonds, Series of 2015 (2015 Bonds). The 2015 Bonds were issued to advance refund the outstanding Montgomery County Higher Education and Health Authority Revenue Bonds, Series of 2006, \$36,345,000 of which had been outstanding at the time of refunding. Payment of certain costs and expenses of issuing the 2015 Bonds were made from the bond proceeds.

In December 2013, the University issued \$20,000,000 of Montgomery County Higher Education and Health Authority Revenue Bonds, Series of 2013 (2013 Bonds). The 2013 Bonds were issued to finance the costs of various capital projects of the University, to refund the Pennsylvania Higher Educational Facilities Authority's Revenue Bonds Series 2001 and to pay certain costs of issuance. The 2013 bonds were legally defeased through the issuance of the 2024 bonds in May 2024.

Each of the Montgomery County Higher Education and Health Authority Revenue Bonds provide for the University to pledge its tuition revenues as collateral for the bonds.

The Cheltenham Township Industrial Development Authority Revenue Bonds provide for the University to pledge its tuition revenues and have a mortgage attached to the Royal Avenue property, as collateral for the bonds.

The terms of the bond indentures contain, among other provisions, requirements for maintaining certain financial ratios, including liquidity and debt service coverage.

Aggregate principal payments on bonds payable for each of the next five fiscal years subsequent to May 31, 2024 are as follows (in thousands):

Years ending May 31:	
2025	\$ 3,735
2026	3,750
2027	3,930
2028	4,125
2029	4,310
Thereafter	<u>48,200</u>
Total	<u>\$ 68,050</u>

The University incurred interest expense of \$2,947,000 and \$2,590,000 for the years ended May 31, 2024 and 2023, respectively.

8. Line of Credit

The University currently has a working capital line of credit from PNC Bank, National Association (the LOC Bank), under which it can borrow up to an amount equal to \$7,500,000 pursuant to a loan agreement dated as of April 28, 2023. The University's obligations are evidenced by a revolving line of credit note (the 2023 LOC Note) in favor of the LOC Bank. A First Amendment to the 2023 LOC note dated April 22, 2024 extended its maturity date to April 26, 2025. All other terms and provisions of the Loan Documents remain unchanged. The 2023 LOC Note bears interest at a rate per annum, which is equal to the sum of Daily SOFR plus 135 basis points (1.35%). The 2023 LOC Note is secured by a pledge and assignment by the University of the pledged university revenues and is on parity with the other indebtedness described in the Intercreditor Agreement. There was no outstanding balance on the line of credit for the years ended May 31, 2024 and 2023, respectively.

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9. Net Assets

Net assets without donor restrictions are available for the following purposes as of May 31, 2024 and 2023:

	2024	2023
	(In Thousands)	
Undesignated	\$ 68,179	\$ 67,498
Board-designated endowment	23,393	30,002
Total net assets without donor restrictions	<u>\$ 91,572</u>	<u>\$ 97,500</u>

Net assets with donor restrictions are available for the following purposes as of May 31, 2024 and 2023:

	2024	2023
	(In Thousands)	
Scholarships	\$ 1,443	\$ 1,131
Instruction and academic support	1,404	1,519
Student services	775	625
Other restrictions for time or purpose	730	717
Accumulated endowment investment gains	16,549	13,131
Endowment funds	27,643	26,215
Total net assets with donor restrictions	<u>\$ 48,544</u>	<u>\$ 43,338</u>

10. Satisfaction of Restrictions

Net assets with donor restriction were released from restriction by incurring expenses satisfying the restricted purpose or by occurrences of other events specified by donors as follows:

	2024	2023
	(In Thousands)	
Scholarships	\$ 69	\$ 54
Research and public service	1,853	1,549
Instruction and academic support	132	187
Student services	69	56
Other	312	232
Total satisfaction of restrictions	<u>\$ 2,435</u>	<u>\$ 2,078</u>

11. Endowments

As required by GAAP, 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.

The University's endowment consists of a portfolio of active and passive managed funds established to provide both a source of operating funds as well as long-term financial stability. The endowment includes both endowment funds with donor restrictions and funds designated by the Board of Trustees.

The University's policy requires the preservation of the fair value of the original gift as of the gift date of the endowment funds with donor restrictions absent explicit donor stipulations to the contrary. As a result, the University classifies as net assets with donor restrictions (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. This is regarded as the "historic dollar value" of the endowed fund. The remaining portion of the donor-restricted endowment fund that is not classified in permanent endowment and is regarded as "net appreciation" is classified as net assets with donor restrictions until those amounts are appropriated for expenditure by the University in a manner consistent with the University's spending policy.

Return Objectives and Risk Parameters

The University has adopted an investment policy that is intended to provide a predictable stream of funding to programs from its endowment while seeking to maintain the purchasing power of the endowment assets. The University's Endowment Fund (the Fund) consists of cash, securities and other investments. The use of the assets of the Fund may be with or without donor restrictions. The Fund may receive donor-restricted gifts and bequests to provide a permanent endowment, which is to provide a permanent source of income, or a term endowment, which is to provide income for a specified period. The principal of a permanent endowment must be maintained permanently and is classified as net assets with donor restrictions. The principal of a term endowment must be maintained for a specified term and is classified as net assets with donor restrictions.

The University's Board of Trustees may earmark a portion of its net assets without donor restrictions as Board-designated endowment to be invested to provide income for a long but unspecified period. The principal of a Board-designated endowment, which results from an internal designation, is not donor-restricted and is classified as net assets without donor restrictions.

The Board of Trustees has stipulated that all bequests to the University, not otherwise designated, will be added to the Board-designated endowment fund.

Endowment Spending Policy

The University has adopted a spending policy seeking a total percentage return from invested assets. As defined under Section 5548(c) of the Pennsylvania Nonprofit Corporation law, the University will not exceed 7% spending on donor restricted assets based upon the three-year average market value of the Fund as of the close of the prior fiscal year.

On an annual basis, the University will set a spending policy for budgeting purposes. The spending rate will be a percentage of assets based upon the three-year average fair value of the Fund as of the close of the calendar year preceding its fiscal year. The spending rate should not exceed the recognized endowment income. All returns, regardless of source, above the spending rate will be retained to enhance growth of the Fund. For the years ended May 31, 2024 and 2023, the University recognized a 4% spending rate on the Fund associated with donor-restricted endowment funds and 10% spending rate on the Fund associated with Board-designated funds. In fiscal year 2023, the Board approved the use of \$6,591,000 of unrestricted funds for acquisition of property. In fiscal 2023, the University's Board of Trustees approved the use of \$4,000,000 of unrestricted endowment funds for the construction of a multi-purpose center. Construction began in the summer of 2023. As of May 31, 2024, and 2023 \$1,730,000 of unrestricted endowment funds were drawn for construction expenditures.

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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. In accordance with GAAP, these deficiencies are reported in net assets with donor restriction. These cumulative deficiencies were \$140,000 and \$405,000 as of May 31, 2024 and 2023, respectively.

Strategies Employed for Achieving Objectives

To satisfy its goal of supporting the mission of the University through growth and by providing a predictable level of endowment income to the annual operating budget, the goal of the investment strategy of endowment assets is designed to maximize the rate-of-return and to outperform selected weighted market indices. Funds are invested through active and passive fund managers with equity and fixed investments, which are predominately index funds, and alternative investments. Equity investments include common stocks, which are diversified in terms of industry, capital size and nation of origin. Nontraditional investments include limited partnerships natural resources, distressed debt funds, venture capital in emerging growth companies, and private equity. Fixed investments include governmental and corporate bonds. Cash and cash equivalents are maintained at a minimum to provide the endowment fund requisite liquidity.

Endowment Fund Activity

	May 31, 2024		
	Without Donor Restrictions	With Donor Restrictions	Total
	(In Thousands)		
Donor-restricted endowment funds:			
Permanent endowment	\$ -	\$ 27,643	\$ 27,643
Net appreciation	-	16,549	16,549
Board-designated funds	23,393	-	23,393
Total	<u>\$ 23,393</u>	<u>\$ 44,192</u>	<u>\$ 67,585</u>
Net assets, beginning of year	\$ 30,002	\$ 37,791	\$ 67,793
Endowment investment return	1,483	5,092	6,575
Contributions (cash basis)	46	976	1,022
Appropriation for capital activity	(1,730)	-	(1,730)
Appropriation of endowment assets for operations	<u>(6,408)</u>	<u>(1,153)</u>	<u>(7,561)</u>
Endowment investments, end of year	23,393	42,706	66,099
Donor-restricted pledges receivable, net of allowance and operating cash receipts	<u>-</u>	<u>1,486</u>	<u>1,486</u>
Endowment net assets, end of year	<u>\$ 23,393</u>	<u>\$ 44,192</u>	<u>\$ 67,585</u>

Arcadia University

Notes to Financial Statements

May 31, 2024 and 2023

	May 31, 2023		
	Without Donor Restrictions	With Donor Restrictions	Total
	(In Thousands)		
Donor-restricted endowment funds:			
Permanent endowment	\$ -	\$ 26,215	\$ 26,215
Net appreciation	-	13,131	13,131
Board-designated funds	30,002	-	30,002
Total	\$ 30,002	\$ 39,346	\$ 69,348
Net assets, beginning of year	\$ 45,119	\$ 39,365	\$ 84,484
Endowment investment return	(2,316)	(1,858)	(4,174)
Contributions (cash basis)	53	1,462	1,515
Appropriation for acquisition of property	(6,591)	-	(6,591)
Appropriation of endowment assets for operations	(6,263)	(1,178)	(7,441)
Endowment investments, end of year	30,002	37,791	67,793
Donor-restricted pledges receivable, net of allowance and operating cash receipts	-	1,555	1,555
Endowment net assets, end of year	\$ 30,002	\$ 39,346	\$ 69,348

12. Postretirement Medical Benefits

During fiscal year 2016, the University provided postretirement medical benefits to all employees who met certain eligibility requirements. On May 1, 2016, an amendment to the postretirement benefit plan was adopted. The effective date of the plan amendment is June 1, 2016. The plan change eliminated postretirement benefits coverage for employees hired after January 1, 2016 and replaced the previous medical plan with a one-time \$10,000 payment into a health reimbursement account for most retirees, with grandfathering exceptions for certain eligible employees. The University accrues for expected medical and other postretirement benefits over the years that the employees render the necessary service. Contributions to the plan are equal to benefit payments.

The University recognizes the funded status of its defined benefit postretirement plans in the statements of financial position. The University recorded a (loss) gain to net assets of \$(86,000) and \$159,000 for the years ended May 31, 2024 and 2023, respectively.

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Reconciliation of Benefit Obligation, Plan Assets and Funded Status

	2024	2023
	(In Thousands)	
Change in benefit obligation:		
Benefit obligation, beginning of year	\$ 1,790	\$ 2,081
Service cost	16	19
Interest cost	88	86
Actuarial gain	(13)	(273)
Benefits paid	(120)	(123)
Benefit obligation, end of year	<u>\$ 1,761</u>	<u>\$ 1,790</u>
Change in plan assets:		
Fair value of plan assets, beginning of year	\$ -	\$ -
Employer contribution	120	123
Benefits paid	(120)	(123)
Fair value of plan assets, end of year	<u>\$ -</u>	<u>\$ -</u>
Funded status, deficit	<u>\$ (1,761)</u>	<u>\$ (1,790)</u>

Amounts Recognized in Accumulated Net Assets Without Donor Restrictions

	2024	2023
	(In Thousands)	
Net loss	\$ (728)	\$ (814)

Weighted-Average Assumptions Used to Determine Benefit Obligations at Year-End

	2024		2023	
Discount rate	5.50	%	5.11	%
Rate of compensation increases	N/A		N/A	
Healthcare cost trend:				
Initial medical trend rates	7.50	%	7.50	%
Ultimate rate of increase	4.04	%	3.94	%
Fiscal year that the ultimate rate is attained	2075		2075	

Weighted-Average Assumptions Used to Determine Net Periodic Benefit Cost

	2024		2023	
Discount rate	5.11	%	4.26	%
Expected return on plan assets	N/A		N/A	
Rate of compensation increases	N/A		N/A	
Healthcare cost trend:				
Initial medical trend rates	7.50	%	6.00	%
Ultimate rate of increase	3.94	%	3.94	%
Fiscal year that the ultimate rate is attained	2075		2075	

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Net Periodic Postretirement Benefit Cost

	2024	2023
	(In Thousands)	
Service cost	\$ 16	\$ 19
Interest cost	88	86
Amortization of prior service credit	-	(31)
Amortization of net actuarial loss	(99)	(83)
Net periodic postretirement benefit cost (credit)	<u>\$ 5</u>	<u>\$ (9)</u>

Estimated Future Benefit Payments

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

2025	\$ 147
2026	139
2027	146
2028	158
2029	158
2030-2034	832
Total	<u>\$ 1,580</u>

Healthcare Cost Trend Rate

Assumed medical cost trend rate for the next year	7.5%
General description of the direction and pattern of change in the assumed medical trend rates thereafter	7.5% for 2024 and declining to an ultimate trend 4.04%
Ultimate trend rate and when that rate is expected to be achieved	4.04% in 2075
Pharmacy is included in the employee medical plan. Employees who retired prior to July 1, 1994 are covered by a self-insured pharmacy benefit with a \$1,250 annual cap that is restored every January 1st. The self-insured pharmacy benefit has not been utilized in recent years thus is not valued.	

Disclosures for Change in Accumulated Net Assets Without Donor Restrictions at May 31

	2024	2023
	(In Thousands)	
Net prior service cost arising during the year	\$ -	\$ 31
Net liability gain arising during the year	(13)	(273)
Amortization of total loss included in periodic cost	99	83
Net liability gain arising during year	<u>86</u>	<u>(190)</u>
Change in accumulated net assets without donor restrictions reflected in net assets without donor restrictions	<u>\$ 86</u>	<u>\$ (159)</u>

13. Fair Value Measurements, Investments and Other Financial Instruments

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

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

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

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets or liabilities in nonactive markets;
- Pricing models whose inputs are observable for substantially the full term of the asset or liability; or
- Pricing models whose inputs are derived principally from or corroborated by observable market data through correlation or other means for substantially the full term of the asset.

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

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

Both observable and unobservable inputs may be used to determine the fair value of positions that the University has classified within the Level 3 category. As a result, the unrealized gains and losses for assets and liabilities within the Level 3 category presented in the tables below may include changes in fair value that were attributable to both observable (e.g., changes in market interest rates) and unobservable (e.g., changes in unobservable long-dated volatilities) inputs.

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Notes to Financial Statements
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The following table presents information about the University's assets measured and disclosed at fair value as of May 31, 2024 and 2023 and indicates the fair value hierarchy of the valuation techniques utilized by the University to determine such fair value.

	2024			
	Level 1	Level 2	Level 3	Total
	(In Thousands)			
Reported at Fair Value				
Equity funds:				
Domestic	\$ 15,863	\$ -	\$ -	\$ 15,863
International	10,635	-	-	10,635
Total equity funds	26,498	-	-	26,498
Fixed income funds:				
Intermediate term bonds	9,854	-	-	9,854
Short-term bonds	23,064	-	-	23,064
Total fixed income funds	32,918	-	-	32,918
Forward foreign exchange contracts	-	148	-	148
Other investments	206	-	704	910
Total investments valued by valuation hierarchy	59,622	148	704	60,474
Alternative investments reported at net asset value				4,546
Total investments				65,020
Trust funds held by others	-	-	2,352	2,352
Total investments and trust funds held by others	\$ 59,622	\$ 148	\$ 3,056	\$ 67,372

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	2023			
	Level 1	Level 2	Level 3	Total
	(in thousands)			
Reported at Fair Value				
Equity funds:				
Domestic	\$ 16,225	\$ -	\$ -	\$ 16,225
International	14,798	-	-	14,798
Total equity funds	31,023	-	-	31,023
Fixed income funds:				
Intermediate term bonds	10,861	-	-	10,861
Short-term bonds	19,155	-	-	19,155
Total fixed income funds	30,016	-	-	30,016
Forward foreign exchange contracts	-	(88)	-	(88)
Other investments	189	-	669	858
Total investments valued by valuation hierarchy	61,228	(88)	669	61,809
Alternative investments reported at net asset value				4,740
Total investments				66,549
Trust funds held by others	-	-	2,150	2,150
Total investments and trust funds held by others	\$ 61,228	\$ (88)	\$ 2,819	\$ 68,699

The following provides a brief description of the types of financial instruments the University holds, the methodology for estimating fair value and the level within the hierarchy of the estimate:

Equity Funds - These are securities which are traded on a recognized liquid exchange. The closing price of the security as of the reporting date is used to determine fair value. This is considered a Level 1 input in the hierarchy.

Fixed Income Funds - Fixed income investments include governmental and corporate bonds. They are traded in active markets and values are based on unadjusted quoted prices. They are considered a Level 1 input in the hierarchy.

Forward Foreign Exchange Contracts - These are contracts entered into 12 to 18 months in advance for operating expenditures of the University's overseas programs. Fair value is based on closing currency exchange rates as of the reporting date. These are considered a Level 2 input in the hierarchy.

Other Investments - Other investments include split-interest investments and a mutual fund. The split-interest investments are traded in active markets with fair values determined either at the closing price of the reporting date or unadjusted quoted prices. These are considered a Level 1 input in the hierarchy.

Alternative Investments - Alternative investments include natural resources, distressed debt funds, venture capital in emerging growth companies, and private equity.

The University has a policy which permits investments that do not have a readily determinable fair value, and as such, has elected to use the net asset value per share (the NAV) as calculated on the reporting entity's measurement date as the value of the investment. The University measures the value of an investment that does not have a readily determinable fair value, based on the NAV of the investment as a practical expedient, without further adjustment, unless it is probable that the investment will be sold at a value significantly different than the NAV. If the practical expedient NAV is not as of the reporting entity's measurement date, then the NAV is adjusted to reflect any significant events that would materially affect the value of the security and the NAV of the University as of the valuation date. In using the NAV as a practical expedient, certain attributes of the investment, that may impact the value of the investment, are not considered in measuring value. Attributes of those investments include the investment strategies of the investees and may also include, but are not limited to, restrictions on the investor's ability to redeem its investments at the measurement date at NAV as well as any unfunded commitments. In accordance with Accounting Standards Codification (ASC) Subtopic 820-10, investments that are measured at fair value using the NAV per share (or its equivalent) practical expedient have not been classified in the fair value hierarchy. The fair value amounts presented in the fair value table are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the statements of financial position.

Trust Funds Held by Others - These funds are neither in the possession, nor under the control, of the University. Such terms provide that the University is to receive a certain percentage of the income earned by the funds which are held in trust. Because of the permanent right of the University to its share of the trusts' earnings, the University reports its share of these trusts as trust funds held by others. These are considered a Level 3 input in the hierarchy.

A listing of the alternative investments reported at NAV held by the University and their attributes, that may qualify for these valuations consist of the following as of May 31:

2024					
Investment Category	Investment Strategy	Net Asset Value (In Thousands)	Unfunded Commitment (In Thousands)	Redemption Frequency	Redemption Notice Period
Natural resources	Investment of funds in limited partnerships, which in turn make oil, gas, timber and other natural resource-related investments with the objective of obtaining long-term growth of capital.	\$ 944	\$ 86	Illiquid	N/A
Distressed debt funds	Invests in partnerships offered by top-tier distressed debt managers. The partnerships focus primarily on investments in securities and other obligations of distressed businesses and financially troubled companies that are priced at significant discounts to their original value.	11	152	Illiquid	N/A
Venture capital	Invests primarily in other limited partnerships formed for the purpose of making venture capital investments in emerging growth companies. Generally, these investments may not be transferred or withdrawn prior to the termination of limited partnerships, which generally have a term of 10 years.	1,803	55	Illiquid	N/A
Private equity	Invests primarily in other limited partnerships formed for the purpose of making investments in equity securities, warrants or other options, focused either domestically or internationally, that are generally not actively traded at the time of investment. Generally, these investments may not be transferred or withdrawn prior to the termination of limited partnerships, which generally have a term of 10 years.	1,788	362	Illiquid	N/A
Total		\$ 4,546	\$ 655		

14. Retirement Plan

All full-time employees of the University are eligible to participate in the University's defined contribution retirement plan. Prior to January 1, 2015, covered employees could choose between either Teachers Insurance and Annuity Association (TIAA-CREF) or the Vanguard Group as their plan trustee. As of January 1, 2015, the University's Plan moved to a single provider structure with TIAA-CREF as the plan trustee. All new contributions and new participants will be with TIAA-CREF. The TIAA-CREF single provider plan is inclusive of investments from other investment firms, including The Vanguard Group. Employees electing to defer up to 6.49% of their salary will receive a dollar for dollar match from the University. Employees deferring greater than 6.49% of their salary will receive an additional 1.51% match from the University, for a total employer match of 8.00%. The plan is fully funded and the participants' interest is fully vested. The University contributed \$2,252,000 and \$2,178,000 to the plans during the years ended May 31, 2024 and 2023, respectively.

15. Leases

The University has entered into the following lease arrangements:

Finance Lease - The University leases certain equipment and classroom renovations under financing lease arrangements. These leasing arrangements range from three to five years. The University is responsible for maintenance and repair costs associated with these assets.

Operating Lease - The University also leases certain properties, facilities and equipment.

Short-Term Lease - Leases with an initial term of 12 months or less are not recorded on the statements of financial position and expenses for these leases are recognized on a straight-line basis over the lease term as an operating expense.

Certain leases include an option to terminate the lease or to renew the leased assets, the terms and condition of which vary by contract. The University assesses renewal options using a "reasonably certain" threshold, which is understood to be a high threshold and, therefore, the majority of its leases' terms do not include renewal periods for accounting purposes. For leases where the University is reasonably certain to exercise its renewal option, the option periods are included within the lease term and, therefore, the measurement of the right-of-use asset and lease liability.

The University makes certain assumption and judgements in determining the discount rate, as most leases do not provide an implicit rate. The University uses their incremental borrowing rate, for collateralized borrowing, based on information available at the commencement date in determining the present value of lease payments.

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.

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Operating Leases

As of May 31, 2024 and 2023, statements of financial position information related to operating leases was as follows:

	2024		
	Equipment Leases	Property and Facility Leases	Total
	(In Thousands)		
Operating leases:			
Right-of-use assets	\$ 746	\$ 2,207	\$ 2,953
Lease liability, operating	\$ 746	\$ 2,066	\$ 2,812
	2023		
	Equipment Leases	Property and Facility Leases	Total
	(In Thousands)		
Operating leases:			
Right-of-use assets	\$ 892	\$ 4,713	\$ 5,605
Lease liability, operating	\$ 892	\$ 4,311	\$ 5,203

For the years ended May 31, 2024 and 2023, the components of the operating lease expense are as follows:

	2024		
	Equipment Leases	Property and Facility Leases	Total
	(In Thousands)		
Operating lease expense	\$ 286	\$ 2,321	\$ 2,607
	2023		
	Equipment Leases	Property and Facility Leases	Total
	(In Thousands)		
Operating lease expense	\$ 212	\$ 1,814	\$ 2,026

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

	Equipment Leases	Property and Facility Leases	Total
	(In Thousands)		
Years ending May 31:			
2025	\$ 300	\$ 1,224	\$ 1,524
2026	252	520	772
2027	237	500	737
2028	53	-	53
Total lease payments	842	2,244	3,086
Less imputed interest	96	178	274
Total lease liability, operating	\$ 746	\$ 2,066	\$ 2,812

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The following tables include supplemental operating lease information as of and for the years ended May 31, 2024 and 2023:

	2024	
	Equipment Leases	Property and Facility Leases
Weighted-average remaining lease term (years)	4.0	4.26
Weighted-average discount rate	2.40 %	0.94 %

	2023	
	Equipment Leases	Property and Facility Leases
Weighted-average remaining lease term (years)	4.26	2.91
Weighted-average discount rate	2.69 %	1.61 %

Total lease costs for the years ended May 31, 2024 and 2023, are as follows:

	2024	2023
	(in Thousands)	
Lease cost:		
Operating lease cost	\$ 2,573	\$ 2,335
Short-term lease cost	66	204
Total lease cost	<u>\$ 2,639</u>	<u>\$ 2,539</u>

16. Related-Party Transactions

Transactions between the University and any of its trustees, officers or key employees are subject to the College's conflict of interest policies, which require disclosure of conflicting interests and abstention by the conflicted persons from the University's decision making. From time to time, the University enters into certain transactions at arm's length with certain Board of Trustees members for the rendering of professional services. The professional services are related to medical consultations for student health services. For the years ended May 31, 2024 and May 31, 2023, student health service fees were approximately \$23,000.

Contributions made by uncompensated members of the Board of Trustees and officers of the University totaled approximately \$264,000 and \$270,000 for the years ended May 31, 2024 and 2023, respectively. Outstanding contributions receivable from members of the Board of Trustees or officers of the University total approximately \$145,000 and \$197,000 at May 31, 2024 and 2023, respectively.

17. Commitments and Contingencies

The nature of the educational industry is such that, from time to time, claims will be presented against the University on account of alleged negligence, acts of discrimination, breach of contract or disagreements arising from the interpretation of laws and regulations. While some of these claims may be for substantial amounts, they are not unusual in the ordinary course of providing educational services. Management of the University believes that these claims and their resolution will not have a significant impact on the University's financial position.

The University has a purchase commitment with a construction contractor associated with renovations of campus buildings. As of May 31, 2024, the University has a remaining commitment to the construction contractor of approximately \$1,382,000.

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18. Cash Flow Disclosures

Cash flows from operating activities reflect interest paid of \$3,050,000 and \$3,175,000 during the years ended May 31, 2024 and 2023, respectively.

Accounts payable as of May 31, 2024 and 2023 includes \$1,396,000 and \$429,000, respectively, which are considered noncash items in the investing activities associated with purchase of land, buildings and equipment.

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

	<u>2024</u>	<u>2023</u>
	<u>(In Thousands)</u>	
Other information:		
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows from operating leases	\$ 2,612	\$ 2,401
Right-of-use assets obtained in exchange for new:		
Operating lease liabilities	\$ 120	\$ 3,982

19. The College of Global Studies

TCGS' expenses by functional classification for the year ended May 31, 2024 consist of the following:

	<u>Educational and Student Service Activities</u>	<u>Auxiliaries</u>	<u>Management and Support Activities</u>	<u>Total</u>
	<u>(In Thousands)</u>			
Salaries, wages and benefits	\$ 3,850	\$ -	\$ 2,828	\$ 6,678
International programs tuition and housing	16,227	7,083	-	23,310
Services, supplies and other	1,662	-	906	2,568
Occupancy and utilities	492	1,752	299	2,543
Depreciation	31	-	88	119
Total	<u>\$ 22,262</u>	<u>\$ 8,835</u>	<u>\$ 4,121</u>	<u>\$ 35,218</u>

TCGS' expenses by functional classification for the year ended May 31, 2023 consist of the following:

	<u>Educational and Student Service Activities</u>	<u>Auxiliaries</u>	<u>Management and Support Activities</u>	<u>Total</u>
	<u>(In Thousands)</u>			
Salaries, wages and benefits	\$ 3,771	\$ -	\$ 2,674	\$ 6,445
International programs tuition and housing	12,389	4,112	-	16,501
Services, supplies and other	1,248	-	688	1,936
Occupancy and utilities	411	1,524	312	2,247
Depreciation	26	-	98	124
Total	<u>\$ 17,845</u>	<u>\$ 5,636</u>	<u>\$ 3,772</u>	<u>\$ 27,253</u>

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Notes to Financial Statements
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20. 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 note disclosure. Costs for plant operations and maintenance, depreciation and interest have been allocated on the basis of square footage utilization among the functional categories.

Expenses by functional classification for the year ended May 31, 2024 consist of the following:

	Instruction	Academic Support	Student Services	Institutional Support	Auxiliary Enterprises	Research and Public Service	Plant Operations	Total
	(In Thousands)							
Salaries and wages	\$ 19,137	\$ 2,864	\$ 7,824	\$ 7,150	\$ 165	\$ 280	\$ 2,213	\$ 39,633
Employee benefits	4,810	789	2,707	2,121	51	90	633	11,201
Services	2,050	586	2,246	6,405	2,907	41	793	15,028
Supplies	577	716	810	255	155	23	488	3,024
Travel	1,193	100	808	109	-	69	20	2,299
Information technology	-	12	-	50	-	-	-	62
Internal services charges	33	1	68	1,152	-	-	2	1,256
Minor equipment	58	-	4	2	-	7	22	93
Occupancy costs	1	-	3	52	1,950	-	2,675	4,681
Other expenses	786	277	154	40	72	1,916	-	3,245
Depreciation and amortization	1,088	305	844	511	2,868	-	-	5,616
Interest	580	285	713	474	1,076	-	-	3,128
Allocation of plant operations	2,418	687	1,939	1,341	461	-	(6,846)	-
Total operating expenses	<u>\$ 32,731</u>	<u>\$ 6,622</u>	<u>\$ 18,120</u>	<u>\$ 19,662</u>	<u>\$ 9,705</u>	<u>\$ 2,426</u>	<u>\$ -</u>	<u>\$ 89,266</u>

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Expenses by functional classification for the year ended May 31, 2023 consist of the following:

	Instruction	Academic Support	Student Services	Institutional Support	Auxiliary Enterprises	Research and Public Service	Plant Operations	Total
	(In Thousands)							
Salaries and wages	\$ 18,274	\$ 2,798	\$ 7,350	\$ 7,283	\$ 129	\$ 327	\$ 2,291	\$ 38,452
Employee benefits	4,725	876	2,574	2,196	44	91	690	11,196
Services	2,050	557	2,169	6,707	2,752	15	495	14,745
Supplies	592	786	525	212	160	26	625	2,926
Travel	1,203	149	806	162	-	74	19	2,413
Information technology	-	24	-	17	-	-	-	41
Internal services charges	32	2	74	1,570	-	-	2	1,680
Minor equipment	45	-	21	2	32	1	41	142
Occupancy costs	2	-	422	76	1,900	-	2,773	5,173
Other expenses	929	221	-	12	49	1,626	-	2,837
Depreciation and amortization	1,026	325	779	541	2,861	-	-	5,532
Interest	549	297	521	235	988	-	-	2,590
Allocation of plant operations	2,545	817	1,968	1,365	241	-	(6,936)	-
Total operating expenses	<u>\$ 31,972</u>	<u>\$ 6,852</u>	<u>\$ 17,209</u>	<u>\$ 20,378</u>	<u>\$ 9,156</u>	<u>\$ 2,160</u>	<u>\$ -</u>	<u>\$ 87,727</u>

Arcadia University

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21. Liquidity and Availability of Resources

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

	2024	2023
	(In Thousands)	
Cash and cash equivalents	\$ 29,740	\$ 28,044
Student accounts receivable	3,894	4,562
Contributions receivable without donor restrictions	98	103
Student loans receivable	1,343	853
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 35,075</u>	<u>\$ 33,562</u>

As part of the University's liquidity management, the University 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 \$7,500,000 of funding available on a line of credit which it could draw upon. In addition, the University invests cash in excess of daily requirements in short-term money market funds.

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 expenditures. The endowment has a spending rate of 4% on donor-restricted endowment funds and 10% Board-designated endowment funds for fiscal year 2025 and will have \$5,382,000 available for spending.

The University's Board-designated endowment was \$23,393,000 as of May 31, 2024. The University does not intend to spend from the remainder its quasi-endowment other than for amounts appropriated for general expenditures in accordance with the endowment spending rate, amounts from its quasi-endowment could be made available if necessary.



Certification:

The undersigned duly authorized officer of Arcadia University hereby certifies that to the best of their knowledge, after review of the agreements related to the bonds to which the Institution is a party and due inquiry of such other officers of the Institution and review of such records of the Institution as the undersigned has deemed necessary in order to make this certification, (i) all of the forgoing information is accurate and complete in all material respects, (ii) the Institution is as of this date in compliance with the terms of such agreements, and (iii) no event of default under any such agreements or event that would, with passage of time or giving of notice or both, constitute such event of default, has occurred and is continuing as of this date.

ARCADIA UNIVERSITY

Joan Singleton

Joan Singleton
Vice President of Administration and Finance
October 22, 2024