



TREVECCA NAZARENE UNIVERSITY

Consolidated Financial Statements  
With Independent Auditors' Report

June 30, 2024 and 2023

# TREVECCA NAZARENE UNIVERSITY

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## INDEPENDENT AUDITORS' REPORT

Board of Trustees  
Trevecca Nazarene University  
Nashville, Tennessee

### ***Opinion***

We have audited the accompanying consolidated financial statements of Trevecca Nazarene University, which comprise the consolidated statements of financial position as of June 30, 2024 and 2023, and the related consolidated statements of activities and cash flows for the years then ended, and the related notes to the consolidated financial statements.

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

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

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are required to be independent of Trevecca Nazarene 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 Consolidated Financial Statements***

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

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

***Auditors' Responsibilities for the Audit of the Consolidated Financial Statements***

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an 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 generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

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

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

*Capin Crouse LLP*

Lawrenceville, Georgia  
October 1, 2024

# TREVECCA NAZARENE UNIVERSITY

## Consolidated Statements of Financial Position

	June 30,	
	2024	2023
<b>ASSETS:</b>		
Cash and cash equivalents	\$ 7,831,705	\$ 2,009,456
Students accounts receivable (net of allowance of \$613,354 and \$786,336, respectively)	2,644,174	2,011,059
Government funds receivable	137,340	7,842,490
Prepaid expenses and other assets	2,938,630	2,209,413
Restricted cash	175,438	3,723,053
Financing lease right-of-use assets	956,228	536,287
Operating lease right-of-use assets	61,729	110,699
Investments	93,683,591	85,539,427
Property, plant, and equipment—net	128,281,570	127,136,082
<b>Total Assets</b>	<b>\$ 236,710,405</b>	<b>\$ 231,117,966</b>
<b>LIABILITIES AND NET ASSETS:</b>		
Liabilities:		
Accounts payable	\$ 1,889,544	\$ 4,215,224
Accrued expenses and other liabilities	1,675,294	1,384,244
Deferred revenue	5,440,290	5,804,593
Financing lease right-of-use liabilities	979,743	550,894
Operating lease right-of-use liabilities	63,401	113,943
Endowment held for others	963,392	879,710
Long-term debt—net	89,912,795	91,939,814
<b>Total liabilities</b>	<b>100,924,459</b>	<b>104,888,422</b>
Net assets:		
Without donor restrictions	75,772,169	73,972,257
With donor restrictions:		
Restricted by purpose or time	37,124,404	30,675,021
Restricted in perpetuity	22,889,373	21,582,266
	60,013,777	52,257,287
<b>Total net assets</b>	<b>135,785,946</b>	<b>126,229,544</b>
<b>Total Liabilities and Net Assets</b>	<b>\$ 236,710,405</b>	<b>\$ 231,117,966</b>

See notes to consolidated financial statements

# TREVECCA NAZARENE UNIVERSITY

## Consolidated Statement of Activities

Year Ended June 30, 2024

	Without Donor Restrictions	With Donor Restrictions	Total
REVENUES, GAINS, AND OTHER SUPPORT:			
Net tuition and fees	\$ 41,051,281	\$ -	\$ 41,051,281
Auxiliary enterprises	10,455,178	-	10,455,178
Denominational support	1,985,318	-	1,985,318
Contributions of financial assets	2,261,145	6,669,716	8,930,861
Investment income	2,912,426	-	2,912,426
Other sources	3,088,272	-	3,088,272
Net assets released from restrictions	5,303,034	(5,303,034)	-
Operating Revenues, Gains, and Other Support	<u>67,056,654</u>	<u>1,366,682</u>	<u>68,423,336</u>
OPERATING EXPENSES:			
Instructional	23,669,005	-	23,669,005
Academic support	4,380,715	-	4,380,715
Student services	14,067,931	-	14,067,931
Auxiliary enterprises	13,062,248	-	13,062,248
Institutional support	10,933,494	-	10,933,494
Total Operating Expenses	<u>66,113,393</u>	<u>-</u>	<u>66,113,393</u>
Change in Net Assets from Operating Activities	<u>943,261</u>		
NONOPERATING ACTIVITY:			
Investment income	-	5,703,303	5,703,303
Market adjustment on other investments	856,651	640,561	1,497,212
Change in value of split-interest agreements	-	45,944	45,944
Change in Nonoperating Net Assets	<u>856,651</u>	<u>6,389,808</u>	<u>7,246,459</u>
Change in Net Assets	1,799,912	7,756,490	9,556,402
Net Assets, Beginning of Year	<u>73,972,257</u>	<u>52,257,287</u>	<u>126,229,544</u>
Net Assets, End of Year	<u>\$ 75,772,169</u>	<u>\$ 60,013,777</u>	<u>\$ 135,785,946</u>

See notes to consolidated financial statements

# TREVECCA NAZARENE UNIVERSITY

## Consolidated Statement of Activities

Year Ended June 30, 2023

	Without Donor Restrictions	With Donor Restrictions	Total
<b>REVENUES, GAINS, AND OTHER SUPPORT:</b>			
Net tuition and fees	\$ 40,396,017	\$ -	\$ 40,396,017
Auxiliary enterprises	8,894,969	-	8,894,969
Denominational support	1,944,672	-	1,944,672
Contributions of financial assets	1,488,906	1,473,591	2,962,497
Investment income	2,938,605	-	2,938,605
Gain on sale of TFWG Investors, LLC	7,418,175	7,418,175	14,836,350
Other sources	766,451	-	766,451
Net assets released from restrictions	2,990,422	(2,990,422)	-
Operating Revenues, Gains, and Other Support	<u>66,838,217</u>	<u>5,901,344</u>	<u>72,739,561</u>
<b>OPERATING EXPENSES:</b>			
Instructional	24,677,650	-	24,677,650
Academic support	4,343,926	-	4,343,926
Student services	14,629,429	-	14,629,429
Auxiliary enterprises	10,636,739	-	10,636,739
Institutional support	10,571,245	-	10,571,245
Total Operating Expenses	<u>64,858,989</u>	<u>-</u>	<u>64,858,989</u>
Change in Net Assets from Operating Activities	<u>1,979,228</u>		
<b>NONOPERATING ACTIVITY:</b>			
Investment income	-	5,103,113	5,103,113
Market adjustment on other investments	(173,362)	1,157,832	984,470
TFWG Investors, LLC net loss (Note 16)	(10,425)	(10,425)	(20,850)
Change in value of split-interest agreements	-	(37,406)	(37,406)
Change in Nonoperating Net Assets	<u>(183,787)</u>	<u>6,213,114</u>	<u>6,029,327</u>
Change in Net Assets	1,795,441	12,114,458	13,909,899
Net Assets, Beginning of Year	<u>72,176,816</u>	<u>40,142,829</u>	<u>112,319,645</u>
Net Assets, End of Year	<u><u>\$ 73,972,257</u></u>	<u><u>\$ 52,257,287</u></u>	<u><u>\$ 126,229,544</u></u>

See notes to consolidated financial statements

# TREVECCA NAZARENE UNIVERSITY

## Consolidated Statements of Cash Flows

	Year Ended June 30,	
	2024	2023
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Change in net assets	\$ 9,556,402	\$ 13,909,899
Adjustments to reconcile change in net assets to net cash provided (used) by operating activities:		
Depreciation and lease amortization on University assets	5,368,664	4,450,876
Depreciation and amortization for TFWG Investors, LLC	-	134,747
Amortization of University bond premium & debt issuance costs	(232,019)	(232,021)
Contributions received for endowment	(1,174,174)	(985,222)
Market adjustment on other investments	(1,497,212)	(984,470)
Net realized and unrealized gains on investments	(6,012,354)	(5,305,817)
Gain on sale of TFWG Investors, LLC	-	(14,836,350)
Loss (gain) on disposal of property, plant, and equipment	(7,800)	758,513
Changes in operating assets and liabilities:		
Student accounts receivable	(633,115)	(153,273)
Government funds receivable	7,705,150	157,305
Prepaid expenses and other assets	(729,217)	(67,060)
Accounts payable	(1,745,985)	967,960
Accrued expenses and other liabilities	291,050	(1,180,868)
Endowments held for others	83,682	75,596
Deferred revenue	(364,303)	(2,884,029)
Net Cash Provided (Used) by Operating Activities	<u>10,608,769</u>	<u>(6,174,214)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Proceeds from sales of investments	7,273,240	5,234,224
Proceeds from sale of property, plant, and equipment	7,800	-
Proceeds from sale of TFWG Investors, LLC	-	32,881,910
Purchases of investments	(7,913,343)	(15,820,979)
Purchases of property, plant, and equipment	(6,875,442)	(28,905,114)
Net Cash Used by Investing Activities	<u>(7,507,745)</u>	<u>(6,609,959)</u>

(continued)

See notes to consolidated financial statements



# TREVECCA NAZARENE UNIVERSITY

## Consolidated Statements of Cash Flows

(continued)

	Year Ended June 30,	
	2024	2023
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Contributions restricted for investment in endowments	1,174,174	985,222
Sale of donated stock received for endowment investments	5,505	56,142
Principal payments on finance leases	(211,069)	(198,294)
Proceeds from debt	-	1,508,667
Payment of debt principal	(1,795,000)	(19,228,188)
Net Cash Used by Financing Activities	<u>(826,390)</u>	<u>(16,876,451)</u>
 Change in Cash, Cash Equivalents, and Restricted Cash	 2,274,634	 (29,660,624)
 Cash, Cash Equivalents, and Restricted Cash, Beginning of Year	 <u>5,732,509</u>	 <u>35,393,133</u>
 Cash, Cash Equivalents, and Restricted Cash, End of Year	 <u><u>\$ 8,007,143</u></u>	 <u><u>\$ 5,732,509</u></u>

The following table provides a reconciliation of cash, cash equivalents, and restricted cash reported within the consolidated statement of cash flows:

Cash and cash equivalents	\$ 7,831,705	\$ 2,009,456
Cash restricted for capital expenditures	<u>175,438</u>	<u>3,723,053</u>
	<u><u>\$ 8,007,143</u></u>	<u><u>\$ 5,732,509</u></u>

### SUPPLEMENTAL DISCLOSURES:

Cash paid for University interest	<u>\$ 2,850,366</u>	<u>\$ 1,768,140</u>
 Cash paid for TFWG interest (see Note 16)	 <u>\$ -</u>	 <u>\$ 98,191</u>
 Capitalized interest	 <u>\$ 127,166</u>	 <u>\$ 1,685,000</u>
 Capital expenditures acquired through accounts payable	 <u>\$ 423,824</u>	 <u>\$ 1,003,519</u>
 Right-of-use assets obtained in exchange for finance leasing liabilities	 <u>\$ 658,405</u>	 <u>\$ 346,460</u>

### NONCASH INVESTING AND FINANCING ACTIVITIES:

Donated securities	<u>\$ 5,505</u>	<u>\$ 56,142</u>
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See notes to consolidated financial statements

# TREVECCA NAZARENE UNIVERSITY

## Notes to Consolidated Financial Statements

June 30, 2024 and 2023

### 1. NATURE OF ORGANIZATION:

Trevecca Nazarene University (University), founded by J.O. McClurkan in 1901, is a comprehensive, fully accredited, Christian university offering undergraduate, master's, and doctoral degrees. Located in the heart of Nashville, Tennessee, the University seeks to engage students in scholarship, critical thinking, and meaningful worship to prepare them for lives of leadership and service. The main sources of revenue are tuition, fee, and auxiliary enterprise income as well as contributions from the public and the denomination.

The University is exempt from federal and state income tax under Section 501(c)(3) of the Internal Revenue Code. In addition, the University qualifies for charitable contribution deductions under Section 170(b)(1)(A) and has been classified as an organization other than a private foundation under Section 509(a)(1). However, income from certain activities not directly related to the University's tax-exempt purpose is subject to taxation as unrelated business income. The University has concluded that it does not have any unrecognized tax benefits resulting from current or prior period tax positions. Accordingly, no additional disclosures have been made on the consolidated financial statements regarding the *Income Tax* topic of the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC). The University does not have any outstanding interest or penalties, and none have been recorded in the consolidated statements of activities for the years ended June 30, 2024 and 2023.

The University is the official university for the Church of the Nazarene in the southeastern United States. The University is governed by a board of trustees elected by the various districts of the Church of the Nazarene in the Southeast Educational Region. Guided by the Church of the Nazarene's Articles of Faith and the Covenant of Christian Conduct, the University welcomes students of all religious affiliations who subscribe to its ideals and standards.

In 2016, the University established a new legal entity related to the development of excess land adjacent to the campus property. This entity, TFWG Investors, LLC, (TFWG) facilitated financial and operational activities of The Flats at Walden Grove (The Flats), an upscale apartment complex containing 126 units available for members of the general public to lease. Construction on The Flats was completed during the year ended June 30, 2018, at which time units began to be leased. The intent of the University was to use the revenue earned by The Flats to provide revenue for student scholarships and University operations. TFWG was wholly-owned by the University. During the year ended June 30, 2023, TFWG sold The Flats; accordingly the University recorded a realized gain upon the sale of the investment. TFWG filed a notice of dissolution on March 20, 2023.

The University offers 15 associate degrees, 74 baccalaureate degrees, 25 master's programs, and 3 doctoral programs as well as one specialist degree and three certificate programs. The University is organized academically into seven schools with undergraduate departments and programs and related graduate programs.

# TREVECCA NAZARENE UNIVERSITY

## Notes to Consolidated Financial Statements

June 30, 2024 and 2023

### 1. NATURE OF ORGANIZATION, continued:

#### ACCREDITATION

The University is accredited by the following associations and boards:

- Southern Association of Colleges and Schools Commission on Colleges (SACSCOC)
- Tennessee Higher Education Commission (THEC)
- National Council for State Authorization Reciprocity Agreements (NC-SARA)

The following program-specific accrediting bodies:

- Counseling: Council for Accreditation of Counseling and Related Educational Programs (CACREP)
- Education: Council for the Accreditation of Educator Preparation (CAEP)
- Music and Worship: National Association of Schools and Music (NASM)
- Physician Assistant: Accreditation Review Commission on Education for the Physician Assistant (ARC-PA)
- Social Work: Council on Social Work Education (CSWE)

The University is a member of:

- American Association of Colleges of Teacher Education
- Association of Independent Liberal Arts Colleges of Teacher Education
- Christian Adult Higher Education Association
- Council for Christian Colleges and Universities
- Council for the Advancement of Experiential Learning
- Council of Independent Colleges
- Council on Undergraduate Research
- Mid-South Educational Research Association
- National Association of Independent Colleges and Universities
- Tennessee Association of Colleges for Teacher Education
- Tennessee Association of Independent Liberal Arts Colleges of Teacher Education
- Tennessee College Association
- Tennessee Independent College and University Association

The University accomplishes its mission through the following programs:

*Instructional*—The instruction classification includes expenses for all activities that are part of the University's instruction program. The University offers degrees in a number of fields including business, science, technology, health care, education, counseling, religion, music, and leadership.

*Academic Support*—The academic support classification includes expenses incurred to provide support services for the University's primary program of instruction which include the Office of the Provost, Office of Institutional Research, the Library, and Career Services.

# TREVECCA NAZARENE UNIVERSITY

## Notes to Consolidated Financial Statements

June 30, 2024 and 2023

1. NATURE OF ORGANIZATION, continued:

ACCREDITATION, continued

*Student Services*—The student services classification includes expenses incurred for offices which provide guidance and resources for students and their families and contribute to students' emotional and physical well-being and intellectual, cultural, and social development outside the context of the formal instruction program. This includes the Office of Admissions, the Registrar, Financial Aid, the Center for Student Development, and Athletics which is comprised of varsity and junior varsity teams across 14 sports.

*Auxiliary Services*—The auxiliary services classification includes expenses incurred for provision of campus housing and food services.

*Institutional Support*—The institutional support classification includes expenses for central, executive-level activities concerned with management and long-range planning for the entire University, including the Office of the President, Financial Services, and University Engagement.

2. SIGNIFICANT ACCOUNTING POLICIES:

The significant accounting policies followed by the University are described below to enhance the usefulness of the consolidated financial statements to the reader. The preparation of the consolidated financial statements, in conformity with accounting principles generally accepted in the United States of America, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

PRINCIPLES OF CONSOLIDATION

The University utilizes single member limited liability companies to hold non-educational real estate investments which are reported in investments held at fair value. The consolidated financial statements include the balances and financial activities of the University and its investment in the limited liability companies. All inter-entity accounts and transactions have been eliminated.

CASH AND CASH EQUIVALENTS

The University considers all highly liquid investments purchased with original maturities of three months or less to be cash equivalents. The University adheres to a gift policy of promptly converting donated securities to cash; these converted securities are also classified as cash and cash equivalents. The University's cash exceeded FDIC limits by \$7,350,879 and \$4,760,766 as of June 30, 2024 and 2023, respectively.

# TREVECCA NAZARENE UNIVERSITY

## Notes to Consolidated Financial Statements

June 30, 2024 and 2023

### 2. SIGNIFICANT ACCOUNTING POLICIES, continued:

#### STUDENT ACCOUNTS RECEIVABLE

Student accounts receivable consists of amounts billed to students for tuition and auxiliary charges. Student accounts receivable are presented net of an allowance for credit losses, which is an estimate of amounts that may not be collectible. The University begins charging late fees on balances over 30 days old. If a student does not re-enroll for the following semester, 90 days after the end of enrollment, the student's account will be turned over for collection. Management will use judgment in the enforcement of these policies. The University separates accounts receivable into risk pools based on their aging. In determining the amount of the allowance as of June 30, 2024, the University developed a loss rate for each risk pool. The loss rate is based on management's historical collection experience, adjusted for management's expectations about current and future economic conditions. As of June 30, 2024, the University increased its historical loss rate for each aging category by 6% due to rising inflation and other economic indicators.

#### GOVERNMENT FUNDS RECEIVABLE

For the years ended June 30, 2024 and 2023, the consolidated statements of financial position include government funds receivable for the amount of credit expected to be claimed under the Employee Retention Credit (ERC) which was established by the Coronavirus Aid, Relief, and Economic Security (CARES) Act. Laws and regulations concerning government programs, including the ERC, are complex and subject to varying interpretation. Claims made under the CARES Act may also be subject to retroactive audit and review. There can be no assurance that regulatory authorities will not challenge the University's claim to the ERC, and it is not possible to determine the impact (if any) this would have upon the University. For the years ended June 30, 2024 and 2023, the amount of receivable outstanding was \$137,340 and \$7,842,490, respectively. Management fully expects the receivable to be collectible during the year ended June 30, 2025.

#### INVESTMENTS

Investments in equity securities with readily determinable fair values and all debt securities are recorded at fair value with gains and losses reported in the consolidated statements of activities. Real estate includes rental properties and raw land that are used for income generation and non-institutional development that are recorded at fair value measured on a recurring basis. Donated investments are recorded at market value at the date of donation and thereafter carried in conformity with the stated policy.

#### PROPERTY, PLANT, AND EQUIPMENT

Property, plant, and equipment are reported at acquisition cost, including costs necessary to prepare the asset for its intended use, less accumulated depreciation. Purchases of fixed assets greater than \$5,000 are capitalized and depreciated over their useful lives. Depreciation expense is provided on a straight-line basis over the estimated useful lives of the respective assets. Generally, buildings are depreciated over 40 or 50 years, improvements are depreciated over 10 to 25 years, and other equipment is depreciated over a period between 3 and 10 years.

# TREVECCA NAZARENE UNIVERSITY

## Notes to Consolidated Financial Statements

June 30, 2024 and 2023

### 2. SIGNIFICANT ACCOUNTING POLICIES, continued:

#### DEFERRED REVENUE

Deferred revenue represents tuition revenue for classes not yet 50 percent complete and still within the tuition refund period as of June 30 of each year. Such amounts will be recognized as revenue in the subsequent fiscal year. As part of service contracts, certain vendors have made available funds for food service campus facility improvements and general operating expenditures. These advances are then amortized and recognized over a 10-year period from the time the funds are drawn. In the event the agreement expires or is terminated prior to full amortization, unamortized amounts must be repaid. The unamortized balance of this unearned revenue at June 30, 2024 and 2023, was \$3,289,524 and \$3,588,571, respectively, and is included in deferred revenue in the accompanying consolidated statements of financial position.

#### CLASSES OF NET ASSETS

The consolidated financial statements report amounts separately by class of net assets.

*Without donor restrictions* are those which are free of donor-imposed restrictions and all revenues, expenses, gains, and losses that are not net assets with donor restrictions.

*With donor restrictions* are stipulated by donors for specific operating purposes or the acquisition of property and equipment, are time-restricted, or are required by donors to be held in perpetuity with investment return used for operations and scholarships.

#### REVENUE AND REVENUE RECOGNITION

##### *Tuition and fees revenue:*

For both the traditional and nontraditional programs, tuition revenue is recognized in the reporting period in which the academic programs are delivered. Traditional programs are delivered in the Fall (mid-August to mid-December) and Spring (mid-January to mid-May) academic terms, as well as one Summer term described below. Nontraditional courses are delivered in six-week and twelve-week intervals, with instruction periods beginning each month.

Merit and need-based institutional scholarships are awarded to students to defray the costs of the academic programs, which reduce the amount of revenue recognized. Payments for tuition are due by the start of the academic term.

# TREVECCA NAZARENE UNIVERSITY

## Notes to Consolidated Financial Statements

June 30, 2024 and 2023

### 2. SIGNIFICANT ACCOUNTING POLICIES, continued:

#### REVENUE AND REVENUE RECOGNITION, continued

The University offers one traditional Summer term, starting in early May and ending in mid-August. Revenue for the Summer term is recognized ratably over the term.

Net tuition and fees revenue consist of:

	Year Ended June 30,	
	2024	2023
Tuition and fees	\$ 63,667,990	\$ 61,564,348
Less student aid	(22,616,709)	(21,168,331)
Net tuition and fees	<u>\$ 41,051,281</u>	<u>\$ 40,396,017</u>

#### *Auxiliary enterprise revenue:*

Auxiliary enterprises exist to furnish goods or services to students, faculty, staff, or incidentally to the general public. Fees charged for auxiliary enterprises are priced to offset the cost of the goods or services provided. The distinguishing characteristic of auxiliary enterprises is that they are managed as an essentially self-supporting activity. Revenues and expenses from auxiliary enterprises are reported as changes in net assets without donor restrictions.

Auxiliary enterprises revenue includes activities for student housing and dining facilities, coffee shops, and the campus bookstore. A small number of institutional scholarships specifically for defraying the costs of residential services are awarded, which reduce the amount of revenue recognized. Payments for housing and dining services are due approximately by the start of the academic term. Dining plans are not offered during the summer term. 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.

#### *Contributions and support:*

The University recognizes support when contributions are made, which may be when cash is received, unconditional promises are made, or ownership of other assets is transferred to the University. Conditional promises to give with a measurable performance or other barrier and a right of return are not recognized until the conditions on which they depend have been met.

# TREVECCA NAZARENE UNIVERSITY

## Notes to Consolidated Financial Statements

June 30, 2024 and 2023

### 2. SIGNIFICANT ACCOUNTING POLICIES, continued:

#### REVENUE AND REVENUE RECOGNITION, continued

The University reports gifts of cash and other assets as restricted revenue if they are received with donor stipulations that limit the use of the donated assets. When a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the consolidated statements of activities as net assets released from restrictions. All contributions are considered to be available for use without donor restrictions unless specifically restricted by the donor.

The University reports gifts of land, buildings, and equipment as support without donor restrictions unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash and other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how those long-lived assets must be maintained, the University reports expirations of donor restrictions when donated or acquired assets have been placed in service.

Gains and losses on investments are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulation or law.

#### EXPENSES

Expenses are recorded when incurred in accordance with the accrual basis of accounting. The University's primary program services are instruction. Expenses reported as academic support, student services, and auxiliary enterprise are incurred in support of these primary program services.

#### STUDENT FINANCIAL ASSISTANCE PROGRAMS

The University participates in various programs administered by the Department of Education (ED) and state boards, and the University acts as an agent for the respective agencies. The governmental grants amounts reported exclude funds directly awarded and credited to students under the various federal and state programs; however, substantial portions of the tuition and fees revenue and collection of accounts receivable as of June 30, 2024 and 2023, are dependent upon the University's continued participation in the various programs.



# TREVECCA NAZARENE UNIVERSITY

## Notes to Consolidated Financial Statements

June 30, 2024 and 2023

### 2. SIGNIFICANT ACCOUNTING POLICIES, continued:

#### OPERATING AND NONOPERATING ACTIVITIES

The consolidated statements of activities present the changes in net assets of the University from both operating activities and nonoperating activities. Operating revenues and expenses relate primarily to educational programs provided by the University. The portion of investment return appropriated for operations and student scholarships on long-term investments held for endowments and similar purposes under the University's total return spending policy is considered operating revenue.

Nonoperating activities consist primarily of (a) investment return in excess of endowment assets, (b) market adjustments to other investments, (c) operating results of TFWG Investors, LLC, and (d) change in value of split-interest agreements.

#### RECENTLY ADOPTED ACCOUNTING GUIDANCE

In June 2016, the FASB issued guidance (FASB ASC 326) which significantly changed how entities will measure credit losses for most financial assets and certain other instruments that are not measured at fair value through net income. The most significant change in this standard is a shift from the incurred loss model to the expected loss model. Under the standard, disclosures are required to provide users of the financial statements with useful information in analyzing an entity's exposure to credit risk and the measurement of credit losses. Financial assets held by the University that are subject to the guidance in FASB ASC 326 are student accounts receivable. The University adopted the standard effective July 1, 2023. The impact of the adoption was not considered material to the consolidated financial statements and primarily resulted in enhanced disclosures only.

# TREVECCA NAZARENE UNIVERSITY

## Notes to Consolidated Financial Statements

June 30, 2024 and 2023

### 3. LIQUIDITY AND FUNDS AVAILABLE:

The following reflects the University's financial assets as of the consolidated statement of financial position date, reduced by amounts not available for general use because of contractual or donor-imposed restrictions within one year of the consolidated statement of financial position date. Financial assets are considered unavailable when illiquid or not convertible to cash within one year.

	June 30,	
	2024	2023
Financial assets:		
Cash and cash equivalents	\$ 7,831,705	\$ 2,009,456
Students accounts receivable (net of allowance of \$613,354 and \$786,336, respectively)	2,644,174	2,011,059
Government funds receivable	137,340	7,842,490
Restricted cash	175,438	3,723,053
Investments	93,683,591	85,539,427
Financial assets, at year-end	104,472,248	101,125,485
Less those unavailable for general expenditures within one year:		
Restricted cash	(175,438)	(3,723,053)
Non-liquid investments	(19,951,253)	(16,436,925)
Restricted by donor with purpose and time restrictions	(307,416)	(264,480)
Perpetual endowments and accumulated earnings subject to appropriation beyond one year	(51,028,740)	(45,438,080)
Quasi-endowment net assets	(18,889,790)	(16,855,223)
Endowments held for others	(963,392)	(879,710)
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 13,156,219</u>	<u>\$ 17,528,014</u>

The University has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due. The University also has a pre-approved available line of credit for up to \$5,000,000 with a bank, which could be drawn upon in the event of an unanticipated liquidity need. At June 30, 2024, there were no funds borrowed under this agreement. Additionally, the board-designated quasi endowment funds could be released through board approval for operating cash needs.

# TREVECCA NAZARENE UNIVERSITY

## Notes to Consolidated Financial Statements

June 30, 2024 and 2023

### 4. STUDENT ACCOUNTS RECEIVABLE–NET:

Student accounts receivable–net consists of:

	June 30,	
	2024	2023
Student accounts receivable	\$ 3,257,528	\$ 2,797,395
Less allowance for credit losses	(613,354)	(786,336)
	<u>\$ 2,644,174</u>	<u>\$ 2,011,059</u>

### 5. INVESTMENTS:

Investments consist of:

	June 30,	
	2024	2023
Held at fair value:		
Equities	\$ 67,127,847	\$ 56,608,574
Mutual funds	558,426	804,456
U.S. government obligations	-	3,933,750
Real estate	19,951,253	16,436,925
	<u>87,637,526</u>	<u>77,783,705</u>
Held at cost:		
Cash and cash equivalents	6,046,065	7,755,722
	<u>6,046,065</u>	<u>7,755,722</u>
	<u>\$ 93,683,591</u>	<u>\$ 85,539,427</u>

Investments are held for the following purposes:

	June 30,	
	2024	2023
Investments held for operations	\$ 20,617,591	\$ 20,355,438
Investments held for others	963,392	879,710
Investments held for endowment and scholarship	72,102,608	64,304,279
	<u>\$ 93,683,591</u>	<u>\$ 85,539,427</u>

# TREVECCA NAZARENE UNIVERSITY

## Notes to Consolidated Financial Statements

June 30, 2024 and 2023

5. INVESTMENTS, continued:

Investment income, including market adjustment on real-estate, was used for the following purposes:

	Year Ended June 30,	
	2024	2023
Investment income used for operations	\$ 2,912,426	\$ 2,938,605
Nonoperating investment income (loss):		
Without donor restrictions	856,651	(173,362)
With donor restrictions	6,343,864	6,260,945
	<u>\$ 10,112,941</u>	<u>\$ 9,026,188</u>

6. RIGHT-OF-USE ASSETS AND LIABILITIES:

Right-of-use assets and liabilities consists of:

	June 30,	
	2024	2023
Assets:		
Operating right-of-use	<u>\$ 61,729</u>	<u>\$ 110,699</u>
Financing right-of-use	<u>\$ 956,228</u>	<u>\$ 536,287</u>
Liabilities:		
Operating right-of-use	<u>\$ 63,401</u>	<u>\$ 113,943</u>
Financing right-of-use	<u>\$ 979,743</u>	<u>\$ 550,894</u>
Lease cost:		
Finance lease costs:		
Amortization of ROU assets	\$ 218,218	\$ 198,457
Interest on lease liabilities	18,998	12,046
Operating lease costs	<u>50,606</u>	<u>154,374</u>
	<u>\$ 287,822</u>	<u>\$ 364,877</u>

# TREVECCA NAZARENE UNIVERSITY

## Notes to Consolidated Financial Statements

June 30, 2024 and 2023

### 6. RIGHT-OF-USE ASSETS AND LIABILITIES, continued:

	June 30,	
	2024	2023
Weighted-average discount rate:		
Operating leases	2%	2%
Financing leases	2%	2%
Weighted-average remaining lease term:		
Operating leases	2.25	2.61
Financing leases	4.42	4.42

Future minimum lease payments required under operating and finance leases that have an initial or remaining non-cancelable lease term in excess of one year are as follows:

<u>Years Ending June 30,</u>	Financing	Operating
2025	\$ 253,461	\$ 28,512
2026	241,271	29,082
2027	196,706	7,307
2028	196,706	-
2029	136,430	-
	<u>1,024,574</u>	<u>64,901</u>
Less imputed interest	<u>(44,831)</u>	<u>(1,500)</u>
	<u>\$ 979,743</u>	<u>\$ 63,401</u>

The University leases equipment under five noncancelable financing leases expiring at various dates through 2029. The discount rate represents the risk-free discount rate using a period comparable with that of the individual lease terms. Four leases require monthly payments totaling \$20,444 per month and one lease requires quarterly payments of \$2,713. Discount rate on these leases are 2%.

\$ 1,024,574

The University leases office space under a noncancelable operating lease expiring in 2026. The discount rate represents the risk-free discount rate using a period comparable with that of the individual lease term. Monthly payments under this lease are \$2,341. Discount rate on these leases are 2%.

\$ 64,901

# TREVECCA NAZARENE UNIVERSITY

## Notes to Consolidated Financial Statements

June 30, 2024 and 2023

### 7. PROPERTY, PLANT, AND EQUIPMENT—NET:

Property, plant, and equipment—net consists of:

	June 30,	
	2024	2023
Land	\$ 5,198,879	\$ 5,092,319
Land improvements	7,484,295	6,378,253
Buildings and improvements	142,651,314	99,586,694
Furniture, fixtures, and equipment	16,092,169	15,671,593
	<u>171,426,657</u>	<u>126,728,859</u>
Less accumulated depreciation	(44,014,478)	(40,509,705)
	<u>127,412,179</u>	<u>86,219,154</u>
Construction in progress	869,391	40,916,928
	<u>\$ 128,281,570</u>	<u>\$ 127,136,082</u>

### 8. DEFERRED REVENUE:

The activity and balances for deferred revenue from contracts with students and vendors are shown in the following tables:

	June 30,	
	2024	2023
Beginning balance	\$ 6,096,932	\$ 8,964,271
Revenue recognized	(2,722,790)	(3,429,936)
Refunds issued	(84,618)	(1,945,764)
Payments received for future performance obligations	<u>2,547,540</u>	<u>2,508,361</u>
Ending balance	<u>\$ 5,837,064</u>	<u>\$ 6,096,932</u>
Included in accounts payable	\$ 396,774	\$ 292,339
Deferred revenue	<u>5,440,290</u>	<u>5,804,593</u>
	<u>\$ 5,837,064</u>	<u>\$ 6,096,932</u>

# TREVECCA NAZARENE UNIVERSITY

## Notes to Consolidated Financial Statements

June 30, 2024 and 2023

### 9. LONG-TERM DEBT—NET:

Long-term debt—net consists of:

	June 30,	
	2024	2023
Series 2019 Fixed Rate Nontaxable Bonds, dated May 14, 2019, paid a fixed rate of 3% through April 2025 that increases to a fixed rate of 5% through the life of the instrument with the last payment in October 2048; collateralized by the University's pledged revenues and mortgaged property excluding certain investment properties, as described in the master trust indenture.	\$ 20,315,000	\$ 20,725,000
Series 2021 Fixed Rate Nontaxable Bonds, dated January 12, 2021, bears interest at a fixed rate of 2.42%. Interest only payments run through April 2023 and principal and interest payments will be made through maturity in January 2051; collateralized by the University's pledged revenues and mortgaged property excluding certain investment properties, as described in the master trust indenture.	22,120,000	22,710,000
Series 2021 Fixed Rate Nontaxable Bonds, dated August 1, 2021, bears interest at a fixed rate of 4%. Interest only payments run through September 2023 and principal and interest payments will be made through maturity in October 2051; collateralized by the University's pledged revenues and mortgaged property excluding certain investment properties, as described in the master trust indenture.	41,330,000	42,125,000
	83,765,000	85,560,000
Bond premium—net	7,333,648	7,610,994
Less debt issuance costs—net	(1,185,853)	(1,231,180)
	<u>\$ 89,912,795</u>	<u>\$ 91,939,814</u>

# TREVECCA NAZARENE UNIVERSITY

## Notes to Consolidated Financial Statements

June 30, 2024 and 2023

9. LONG-TERM DEBT—NET:

Maturities of long-term debt are as follows:

<u>Years Ending June 30,</u>	<u>Amounts</u>
2025	\$ 1,855,000
2026	1,920,000
2027	1,995,000
2028	2,065,000
2029	2,145,000
Thereafter	<u>73,785,000</u>
	<u>\$ 83,765,000</u>

Management asserts that the University is in full compliance with all restrictive covenants as of June 30, 2024 and 2023.

10. DISCLOSURES OF FAIR VALUE AND FAIR VALUE MEASUREMENTS:

The *Fair Value Measurements and Disclosure* topic of the FASB Accounting Standards Codification establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. This hierarchy consists of three broad levels: Level 1 inputs consist of unadjusted quoted prices in active markets for identical assets and have the highest priority, Level 2 inputs consist of observable inputs other than quoted prices for identical assets, and Level 3 inputs have the lowest priority. The University uses appropriate valuation techniques based on the available inputs to measure the fair value of its investments. When available, the University measures fair value using Level 1 inputs because they generally provide the most reliable evidence of fair value. Level 3 inputs are only used when Level 1 or Level 2 inputs are not available.



# TREVECCA NAZARENE UNIVERSITY

## Notes to Consolidated Financial Statements

June 30, 2024 and 2023

### 10. DISCLOSURES OF FAIR VALUE AND FAIR VALUE MEASUREMENTS, continued:

Fair values of assets and liabilities measured on a recurring basis at June 30, 2024 and 2023, are as follows:

	Fair Value Measurements at June 30, 2024			
	Total	Level 1	Level 2	Level 3
Investments assigned to hierarchical valuation levels:				
Equities—exchange traded funds	\$ 67,127,847	\$ 67,127,847	\$ -	\$ -
Mutual funds:				
Equities	289,185	289,185	-	-
Fixed income	269,241	269,241	-	-
	<u>558,426</u>	<u>558,426</u>	<u>-</u>	<u>-</u>
Real estate	<u>19,951,253</u>	<u>-</u>	<u>19,951,253</u>	<u>-</u>
	<u>87,637,526</u>	<u>\$ 67,686,273</u>	<u>\$ 19,951,253</u>	<u>\$ -</u>
Investments measured at cost:				
Cash and cash equivalents	<u>6,046,065</u>			
Total investments	<u>\$ 93,683,591</u>			

# TREVECCA NAZARENE UNIVERSITY

## Notes to Consolidated Financial Statements

June 30, 2024 and 2023

### 10. DISCLOSURES OF FAIR VALUE AND FAIR VALUE MEASUREMENTS, continued:

	Fair Value Measurements at June 30, 2023			
	Total	Level 1	Level 2	Level 3
Investments assigned to hierarchical valuation levels:				
Equities—exchange traded funds	\$ 56,608,574	\$ 56,608,574	\$ -	\$ -
Mutual funds:				
Equities	430,664	430,664	-	-
Fixed income	373,792	373,792	-	-
	804,456	804,456	-	-
U.S. government obligations	3,933,750	-	3,933,750	-
Real estate	16,436,925	-	16,436,925	-
	77,783,705	\$ 57,413,030	\$ 20,370,675	\$ -
Investments measured at cost:				
Cash and cash equivalents	7,755,722			
Total investments	\$ 85,539,427			

Methods and assumptions used by the University in estimating fair values are as follows:

*Equities, mutual funds, and government obligations*—The fair value of these financial instruments is based upon quoted market prices or dealer quotes in an active market.

*Real estate*—Other investments consist of investment properties used for income generation and the fair value is based upon appraisals obtained from certified third party appraisers.

*Changes in valuation techniques*—None.

# TREVECCA NAZARENE UNIVERSITY

## Notes to Consolidated Financial Statements

June 30, 2024 and 2023

### 11. NET ASSETS:

Net assets consist of:

	June 30,	
	2024	2023
Net assets without donor restrictions consist of:		
Undesignated	\$ 56,721,963	\$ 56,927,736
Quasi-endowment net assets	18,889,790	16,855,223
Institutional loan fund	160,416	189,298
	<u>75,772,169</u>	<u>73,972,257</u>
Net assets with donor restrictions consist of:		
Subject to expenditure for specified purpose or by time:		
Accumulated endowment gains—restricted for faculty chairs	2,341,600	2,026,857
Accumulated endowment gains—restricted for scholarships	27,981,845	23,839,933
Scholarship funds	6,165,196	4,243,193
Assets held in trust	328,347	300,558
Net assets restricted by time	307,416	264,480
	<u>37,124,404</u>	<u>30,675,021</u>
Subject to restriction in perpetuity:		
Endowment funds—restricted for faculty chairs	2,600,028	2,488,968
Endowment funds—restricted for scholarships	20,289,345	19,093,298
	<u>22,889,373</u>	<u>21,582,266</u>
	<u>\$ 135,785,946</u>	<u>\$ 126,229,544</u>

Net assets released from restriction consists of:

	Year Ended June 30,	
	2024	2023
Satisfaction of purpose restrictions	\$ 3,407,136	\$ 1,442,987
Appropriated endowment amounts	<u>1,895,898</u>	<u>1,547,435</u>
	<u>\$ 5,303,034</u>	<u>\$ 2,990,422</u>

# TREVECCA NAZARENE UNIVERSITY

## Notes to Consolidated Financial Statements

June 30, 2024 and 2023

### 12. ENDOWMENT FUNDS:

The University's endowment consists of approximately 400 individual funds established for a variety of purposes. Its endowment includes both donor-restricted endowment funds and funds designated by the board of trustees to function as 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 board of trustees of the University has interpreted the State Prudent Management of Institutional Funds Act (SPMIFA) 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 net assets restricted in perpetuity as (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. The remaining portion of the donor-restricted endowment fund that is not classified in net assets restricted in perpetuity is classified as net assets restricted by purpose or time until those amounts are appropriated for expenditure by the University in a manner consistent with the standard of prudence prescribed by SPMIFA. In accordance with SPMIFA, the University considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

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

# TREVECCA NAZARENE UNIVERSITY

## Notes to Consolidated Financial Statements

June 30, 2024 and 2023

12. ENDOWMENT FUNDS, continued:

Endowment fund net assets consist of:

	June 30,	
	2024	2023
Without donor restrictions:		
Board-designated	\$ 18,889,790	\$ 16,855,223
With donor restrictions:		
Accumulated gains:		
Faculty chairs	2,341,600	2,026,857
Scholarship funds	27,981,845	23,839,933
	<u>30,323,445</u>	<u>25,866,790</u>
Original gift:		
Faculty chairs	2,600,028	2,488,968
Scholarship funds	20,289,345	19,093,298
	<u>22,889,373</u>	<u>21,582,266</u>
	<u>\$ 72,102,608</u>	<u>\$ 64,304,279</u>

# TREVECCA NAZARENE UNIVERSITY

## Notes to Consolidated Financial Statements

June 30, 2024 and 2023

### 12. ENDOWMENT FUNDS, continued:

Changes in endowment net assets for the year ended June 30, 2024:

	Without Donor Restrictions	With Donor Restrictions		
		Accumulated Gains	Original Gift	Total
Endowment net assets, beginning of year	\$ 16,855,223	\$ 25,866,790	\$ 21,582,266	\$ 64,304,279
Investment return:				
Dividend and interest income	484,322	1,349,525	-	1,833,847
Net realized/unrealized gains	1,562,379	4,353,778	-	5,916,157
	<u>2,046,701</u>	<u>5,703,303</u>	<u>-</u>	<u>7,750,004</u>
Market adjustment–investment properties	<u>-</u>	<u>640,561</u>	<u>-</u>	<u>640,561</u>
Contributions	<u>74,261</u>	<u>-</u>	<u>1,174,174</u>	<u>1,248,435</u>
Transfer	<u>-</u>	<u>8,689</u>	<u>132,933</u>	<u>141,622</u>
Appropriations	<u>(86,395)</u>	<u>(1,895,898)</u>	<u>-</u>	<u>(1,982,293)</u>
Endowment net assets, end of year	<u>\$ 18,889,790</u>	<u>\$ 30,323,445</u>	<u>\$ 22,889,373</u>	<u>\$ 72,102,608</u>

# TREVECCA NAZARENE UNIVERSITY

## Notes to Consolidated Financial Statements

June 30, 2024 and 2023

### 12. ENDOWMENT FUNDS, continued:

Changes in endowment net assets for the year ended June 30, 2023:

	Without Donor Restrictions	With Donor Restrictions Accumulated Gains	Original Gift	Total
Endowment net assets, beginning of year	\$ 7,628,831	\$ 13,634,712	\$ 20,583,508	\$ 41,847,051
Investment return:				
Dividend and interest income	383,575	1,000,229	-	1,383,804
Net realized/unrealized gains	1,433,913	4,102,884	-	5,536,797
	<u>1,817,488</u>	<u>5,103,113</u>	<u>-</u>	<u>6,920,601</u>
Market adjustment–investment properties	<u>-</u>	<u>1,157,832</u>	<u>-</u>	<u>1,157,832</u>
TFWG Investors, LLC net loss*	<u>-</u>	<u>(10,425)</u>	<u>-</u>	<u>(10,425)</u>
Gain on sale of TFWG Investors, LLC	<u>-</u>	<u>7,418,175</u>	<u>-</u>	<u>7,418,175</u>
Contributions	<u>7,465,305</u>	<u>-</u>	<u>985,222</u>	<u>8,450,527</u>
Transfer	<u>-</u>	<u>110,818</u>	<u>13,536</u>	<u>124,354</u>
Appropriations	<u>(56,401)</u>	<u>(1,547,435)</u>	<u>-</u>	<u>(1,603,836)</u>
Endowment net assets, end of year	<u>\$ 16,855,223</u>	<u>\$ 25,866,790</u>	<u>\$ 21,582,266</u>	<u>\$ 64,304,279</u>

#### *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 SPMIFA requires the University to retain as a fund of perpetual duration. In accordance with GAAP, there are no deficiencies of this nature as of June 30, 2024 and 2023.

#### *Return Objectives and Risk Parameters:*

The University has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the University must hold in perpetuity or for a donor-specified period(s) as well as board-designated funds.

# TREVECCA NAZARENE UNIVERSITY

## Notes to Consolidated Financial Statements

June 30, 2024 and 2023

### 12. ENDOWMENT FUNDS, continued:

#### *Return Objectives and Risk Parameters, continued:*

Under this policy, as approved by the board of trustees, the endowment assets are invested in a manner that is intended to produce results that exceed the price and yield results of the S&P 500 index for equities and the Barclays Capital U.S. Aggregate Bond Index for fixed income investments while assuming a moderate level of investment risk. The University expects its endowment funds, over time, to provide an average rate of return of approximately seven to eight percent annually. Actual returns in any given year may vary from this amount.

#### *Strategies Employed for Achieving Objectives:*

To satisfy its long-term rate-of-return objectives, the University relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The University targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

#### *Spending Policy and How the Investment Objectives Related to Spending Policy:*

The University has a policy of appropriating for distribution each year up to 4.25% of its endowment fund's rolling average fair value over the preceding three calendar years, including the calendar year-end preceding the fiscal year in which the distribution is planned. In establishing this policy, the University considered the long-term expected return on its endowment. Accordingly, over the long term, the University expects the current spending policy to allow its endowment to grow at an average of three to five percent annually. This is consistent with the University's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term as well as to provide additional real growth through new gifts and investment return.

- \* During the year ending June 30, 2017, the University invested assets in TFWG Investors, LLC, intending to use cash distributions from TFWG to fund scholarships. The investment was supported equally by unrestricted funds (50%) and the University endowment (50%). As a result, fifty percent of the operating results and gain from the sale of TFWG Investors, LLC, are allocated to unrestricted investment income, while the other fifty percent are allocated to accumulated earnings for the University endowment. The operating results are detailed in Note 16.



# TREVECCA NAZARENE UNIVERSITY

## Notes to Consolidated Financial Statements

June 30, 2024 and 2023

### 13. EXPENSES BY BOTH NATURE AND FUNCTION:

The financial statements report certain categories of expenses that are attributable to more than one program or supporting function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include depreciation, interest, facilities, repairs and maintenance, and insurance which are allocated on a square-footage basis. Salaries, benefits, and tuition remission are allocated directly to the function where time and effort are expended. Information technology is allocated by emails sent. Functional expenses by natural classification as of June 30, 2024:

	Program Activities				Total Program	Institutional Support		Total Expenses
	Instructional	Academic Support	Student Services	Auxiliary Enterprises		General and Administrative	Fund-raising	
Salaries and benefits	\$ 14,311,448	\$ 2,494,136	\$ 7,041,484	\$ 389,936	\$ 24,237,004	\$ 4,558,497	\$ 817,212	\$ 29,612,713
Tuition remission	347,788	51,705	194,125	76,308	669,926	327,990	34,228	1,032,144
Depreciation and amortization	1,519,748	375,093	616,034	2,681,644	5,192,519	145,336	30,809	5,368,664
Interest expense	806,874	199,147	327,069	1,423,756	2,756,846	77,163	16,357	2,850,366
Office supplies and equipment	314,689	118,830	343,235	-	776,754	258,417	80,739	1,115,910
Facilities	1,444,871	356,612	585,683	2,549,522	4,936,688	138,175	29,291	5,104,154
Repairs and maintenance	103,270	25,488	41,861	182,223	352,842	9,876	2,094	364,812
Travel and conferences	115,944	34,812	696,125	-	846,881	197,686	9,398	1,053,965
Insurance	223,861	55,252	90,743	395,011	764,867	21,408	4,538	790,813
Service contracts	349,125	6,000	828,953	4,528,286	5,712,364	515,218	36,000	6,263,582
Advertising	946,117	-	535,636	-	1,481,753	1,371,242	7,093	2,860,088
Information technology	1,077,196	279,604	950,896	99,142	2,406,838	538,902	116,207	3,061,947
Other expenses	2,108,074	384,036	1,816,087	736,420	5,044,617	1,464,514	125,104	6,634,235
	<u>\$ 23,669,005</u>	<u>\$ 4,380,715</u>	<u>\$ 14,067,931</u>	<u>\$ 13,062,248</u>	<u>\$ 55,179,899</u>	<u>\$ 9,624,424</u>	<u>\$ 1,309,070</u>	<u>\$ 66,113,393</u>

# TREVECCA NAZARENE UNIVERSITY

## Notes to Consolidated Financial Statements

June 30, 2024 and 2023

### 13. EXPENSES BY BOTH NATURE AND FUNCTION, continued:

Functional expenses by natural classification as of June 30, 2023:

	Program Activities				Total Program	Institutional Support		Total Expenses
	Instructional	Academic Support	Student Services	Auxiliary Enterprises		General and Administrative	Fund-raising	
Salaries and benefits	\$ 15,051,868	\$ 2,505,867	\$ 7,266,312	\$ 352,340	\$ 25,176,387	\$ 4,460,729	\$ 934,743	\$ 30,571,859
Tuition remission	361,723	47,611	299,478	105,419	814,231	301,806	30,485	1,146,522
Depreciation and amortization	1,476,639	364,453	598,560	1,840,075	4,279,727	141,213	29,936	4,450,876
Interest expense	586,605	144,781	237,782	730,982	1,700,150	56,098	11,892	1,768,140
Office supplies and equipment	421,793	100,821	454,218	-	976,832	152,841	126,750	1,256,423
Facilities	1,769,409	436,712	717,235	2,204,902	5,128,258	169,211	35,870	5,333,339
Repairs and maintenance	90,793	22,409	36,803	113,139	263,144	8,683	1,841	273,668
Travel and conferences	115,679	41,385	681,872	-	838,936	191,601	11,625	1,042,162
Insurance	224,018	55,290	90,806	279,154	649,268	21,423	4,541	675,232
Service contracts	376,663	3,000	1,009,439	4,308,548	5,697,650	452,872	30,000	6,180,522
Advertising	1,061,185	-	713,443	-	1,774,628	1,403,551	5,926	3,184,105
Information technology	932,439	248,285	776,267	51,997	2,008,988	488,420	103,441	2,600,849
Other expenses	2,208,836	373,312	1,747,214	650,183	4,979,545	1,259,477	136,270	6,375,292
	<u>\$ 24,677,650</u>	<u>\$ 4,343,926</u>	<u>\$ 14,629,429</u>	<u>\$ 10,636,739</u>	<u>\$ 54,287,744</u>	<u>\$ 9,107,925</u>	<u>\$ 1,463,320</u>	<u>\$ 64,858,989</u>

# TREVECCA NAZARENE UNIVERSITY

## Notes to Consolidated Financial Statements

June 30, 2024 and 2023

### 14. COMMITMENTS AND CONTINGENCIES:

#### STUDENT FINANCIAL ASSISTANCE PROGRAMS

Activity related to student financial assistance programs is subject to audit both by independent certified public accountants and by representatives of the administering agencies regarding compliance with applicable regulations. Any resultant findings of noncompliance could potentially result in the required return of related funds received and/or the assessment of fines or penalties, or the discontinuation of eligibility for participation. In the opinion of management, audit adjustments, if any, will not have a significant effect on the financial position or result of activities of the University.

### 15. EMPLOYEE BENEFITS:

#### RETIREMENT PLAN

The University sponsors a defined contribution plan that covers full-time staff, faculty, and administrative employees. Eligibility for elective deferrals begins for full-time staff, faculty, and administrative employees on their date of hire. Full-time employees may begin participating in the plan's matching contributions on the first of the month coinciding with or following their date of hire. For the year ended June 30, 2024, the University matched up to half of the employees participant contribution ranging from 5% to 7.5%. For the year ended June 30, 2023, the University matched employee participant contributions ranging from 5% to 7.5%. All contributions are immediately vested. Pension expense amounted to \$548,595 and \$932,975 for the years ended June 30, 2024 and 2023, respectively.

#### HEALTH INSURANCE

The University provides a fully-insured health benefit plan to its employees. Participants should refer to the plan for a more complete description of the plan provisions.

# TREVECCA NAZARENE UNIVERSITY

## Notes to Consolidated Financial Statements

June 30, 2024 and 2023

16. TFWG INVESTORS, LLC OPERATING RESULTS:

The operating results for TFWG Investors, LLC are as follows:

	Year Ended June 30,	
	2024	2023
Revenues:		
Rent revenue—net of vacancies and discounts	\$ -	\$ 398,632
Other tenant fees	-	34,887
Total revenues	-	433,519
Expenses:		
Administrative expenses	-	12,967
Utilities	-	19,729
Operating and maintenance	-	108,007
Interest, insurance, and taxes	-	80,728
Interest expense	-	98,191
Depreciation and amortization	-	134,747
Total expenses	-	454,369
Net loss	\$ -	\$ (20,850)

17. DONOR CONCENTRATION:

During the year ended June 30, 2024, four donors gave 68% of the University's total contributions, respectively. There were no donor concentrations noted during the year ended June 30, 2023

18. SUBSEQUENT EVENTS:

Subsequent events have been evaluated through October 1, 2024, which represents the date the consolidated financial statements were available to be issued. Subsequent events after that date have not been evaluated.