

D'YOUVILLE UNIVERSITY

CONSOLIDATED FINANCIAL STATEMENTS
WITH ADDITIONAL INFORMATION

MAY 31, 2024

INDEPENDENT AUDITORS' REPORT

The Board of Trustees
D'Youville University and Affiliates

Opinion

We have audited the accompanying consolidated balance sheets of D'Youville University and Affiliates (the University) as of May 31, 2024 and 2023, and the related consolidated statements of activities, functional expenses, and cash flows for the years then ended, and the related notes to the 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 these financial statements in accordance with GAAP; this includes 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 for one year after the date the financial statements are 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 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.

Additional Information

Our audits were conducted for the purpose of forming an opinion on the financial statements as a whole. The additional information is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audits of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with GAAP. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Lumsden & McCormick, LLP

September 18, 2024

D'YOUVILLE UNIVERSITY AND AFFILIATES

Consolidated Balance Sheets

May 31,	2024	2023
Assets		
Current assets:		
Cash and cash equivalents	\$ 2,467,196	\$ 6,079,958
Investments - short-term purposes (Note 4)	930,412	1,505,581
Student accounts receivable, net of allowance of \$1,700,000 and 1,000,000	8,130,304	4,836,966
Contributions and grants receivable (Note 3)	1,061,776	1,198,155
Financial aid and other receivables	2,718,956	2,869,806
	<u>15,308,644</u>	<u>16,490,466</u>
Contributions and grants receivable, noncurrent (Note 3)	598,143	543,802
Investments - long-term purposes (Note 4)	14,091,946	68,205,299
Investments - reserve funds (Note 4)	54,448,545	4,162,476
Loans to students, net (Note 5)	4,997,190	3,984,923
Property and equipment, net (Note 6)	140,123,463	134,493,896
Right of use assets - leases (Note 10)	1,042,084	-
New Market Tax Credit loan receivable (Note 7)	<u>13,932,900</u>	<u>13,932,900</u>
	<u>\$ 244,542,915</u>	<u>\$ 241,813,762</u>
Liabilities and Net Assets		
Current liabilities:		
Short-term borrowings (Note 8)	\$ 5,000,000	\$ 2,500,000
Current portion of long-term debt (Note 9)	1,131,483	1,095,608
Current portion of lease liabilities (Note 10)	380,006	-
Accounts payable and accrued liabilities	19,787,115	12,634,983
Deferred revenue	445,541	180,200
Refundable advances	2,823,753	1,042,582
	<u>29,567,898</u>	<u>17,453,373</u>
Long-term debt (Note 9)	62,940,226	64,030,633
Lease liabilities (Note 10)	715,850	-
U.S. government loan funds refundable (Note 5)	2,897,603	3,089,764
Net assets:		
Without donor restrictions	120,509,128	128,492,067
Noncontrolling members' interest in subsidiary entities	45,411	52,686
	<u>120,554,539</u>	<u>128,544,753</u>
With donor restrictions		
Time or purpose (Note 12)	11,042,347	12,369,886
Perpetual endowment (Note 13)	16,824,452	16,325,353
	<u>148,421,338</u>	<u>157,239,992</u>
	<u>\$ 244,542,915</u>	<u>\$ 241,813,762</u>

See accompanying notes.

Consolidated Statement of Activities

For the year ended May 31, 2024

	Without Donor Restrictions	With Donor Restrictions		Total
		Time or Purpose	Perpetual Endowment	
Operating revenue:				
Tuition and fees, net of scholarships and grants of \$24,119,762	\$ 56,097,464	\$ -	\$ -	\$ 56,097,464
Room and board, net of waivers of \$484,922	5,162,254	-	-	5,162,254
Revenue from students	61,259,718	-	-	61,259,718
Government grants and appropriations	4,345,757	-	-	4,345,757
Private contributions	2,168,709	369,769	-	2,538,478
Pharmacy revenue	2,728,383	-	-	2,728,383
Investment income designated for current operations	2,884,618	959,532	-	3,844,150
Insurance recovery (Note 6)	4,245,270	-	-	4,245,270
Other	1,103,024	-	-	1,103,024
Net assets released from restrictions	5,229,114	(5,229,114)	-	-
Total operating revenue	83,964,593	(3,899,813)	-	80,064,780
Operating expenses:				
Instruction	31,739,195	-	-	31,739,195
Academic support	12,877,706	-	-	12,877,706
Student services	15,420,353	-	-	15,420,353
Community services	5,655,449	-	-	5,655,449
Auxiliary enterprises	7,558,280	-	-	7,558,280
Institutional support	10,060,902	-	-	10,060,902
Building project abandonment (Note 2)	11,986,941	-	-	11,986,941
Total operating expenses	95,298,826	-	-	95,298,826
Change in net assets from operating activities	(11,334,233)	(3,899,813)	-	(15,234,046)
Nonoperating activities:				
Investment income in excess of amounts designated for current operations	3,344,019	2,572,274	-	5,916,293
Endowment gift income	-	-	499,099	499,099
Total nonoperating activities	3,344,019	2,572,274	499,099	6,415,392
Total change in net assets	(7,990,214)	(1,327,539)	499,099	(8,818,654)
Net assets - beginning of year	128,544,753	12,369,886	16,325,353	157,239,992
Net assets - end of year	\$ 120,554,539	\$ 11,042,347	\$ 16,824,452	\$ 148,421,338

See accompanying notes.

D'YOUVILLE UNIVERSITY AND AFFILIATES

Consolidated Statement of Activities

For the year ended May 31, 2023

	Without Donor Restrictions	With Donor Restrictions		Total
		Time or Purpose	Perpetual Endowment	
Operating revenue:				
Tuition and fees, net of scholarships and grants of \$21,887,284	\$ 51,642,841	\$ -	\$ -	\$ 51,642,841
Room and board, net of waivers of \$404,136	4,382,947	-	-	4,382,947
Revenue from students	56,025,788	-	-	56,025,788
Government grants and appropriations	2,990,546	-	-	2,990,546
Private contributions	1,493,756	705,730	-	2,199,486
Pharmacy revenue	1,161,936	-	-	1,161,936
Investment income designated for current operations	2,155,610	964,920	-	3,120,530
Insurance recovery (Note 6)	5,472,573	-	-	5,472,573
Other	1,731,368	-	-	1,731,368
Net assets released from restrictions	5,403,209	(5,403,209)	-	-
Total operating revenue	76,434,786	(3,732,559)	-	72,702,227
Operating expenses:				
Instruction	30,998,573	-	-	30,998,573
Academic support	12,088,199	-	-	12,088,199
Student services	13,439,797	-	-	13,439,797
Community services	3,947,959	-	-	3,947,959
Auxiliary enterprises	6,774,144	-	-	6,774,144
Institutional support	10,343,384	-	-	10,343,384
Total operating expenses	77,592,056	-	-	77,592,056
Change in net assets from operating activities	(1,157,270)	(3,732,559)	-	(4,889,829)
Nonoperating activities:				
Investment income (loss) in excess of amounts designated for current operations	(834,643)	(669,996)	3,067	(1,501,572)
Endowment gift income	-	-	188,744	188,744
Total nonoperating activities	(834,643)	(669,996)	191,811	(1,312,828)
Total change in net assets	(1,991,913)	(4,402,555)	191,811	(6,202,657)
Net assets - beginning of year	130,536,666	16,772,441	16,133,542	163,442,649
Net assets - end of year	\$ 128,544,753	\$ 12,369,886	\$ 16,325,353	\$ 157,239,992

See accompanying notes.

Consolidated Statement of Functional Expenses

For the year ended May 31, 2024

	Program Services					Institutional	
	Instruction	Academic Support	Student Services	Community Services	Auxiliary Enterprises	Support	Total
Salaries and benefits	\$ 21,624,065	\$ 4,440,058	\$ 4,952,582	\$ 1,940,047	\$ 1,227,298	\$ 3,532,720	\$ 37,716,770
Contractual services	4,475,202	1,320,744	3,836,424	880,670	3,229,038	3,461,667	17,203,745
Advertising and marketing	249,220	4,100	1,419,275	2,879	22,945	254,838	1,953,257
Utilities	644,981	225,624	210,157	60,028	684,451	187,330	2,012,571
Technology	25,375	3,849,723	1,490	-	-	328,027	4,204,615
Minor equipment	86,482	2,288	52,778	37,759	6,911	3,264	189,482
Travel and conferences	87,458	113,838	841,069	71,052	1,782	102,842	1,218,041
Supplies	371,924	7,930	672,445	2,210,212	55,147	192,144	3,509,802
Printing	1,568	80	22,946	-	1,095	68,275	93,964
Insurance	286,129	105,876	673,010	40,357	176,315	62,347	1,344,034
Depreciation	2,126,963	1,173,067	722,130	256,744	1,362,808	643,691	6,285,403
Interest	971,344	586,167	182,686	-	565,578	328,289	2,634,064
Student activities	102,976	104,043	1,464,776	74,842	128,837	512,288	2,387,762
Other	685,508	944,168	368,585	80,859	96,075	383,180	2,558,375
	31,739,195	12,877,706	15,420,353	5,655,449	7,558,280	10,060,902	83,311,885
Building project abandonment	-	-	-	-	-	-	11,986,941
Total	\$ 31,739,195	\$ 12,877,706	\$ 15,420,353	\$ 5,655,449	\$ 7,558,280	\$ 10,060,902	\$ 95,298,826

D'YOUVILLE UNIVERSITY AND AFFILIATES

Consolidated Statement of Functional Expenses

For the year ended May 31, 2023

	Program Services					Institutional	
	Instruction	Academic Support	Student Services	Community Services	Auxiliary Enterprises	Support	Total
Salaries and benefits	\$ 21,940,221	\$ 4,102,618	\$ 4,467,309	\$ 1,848,376	\$ 1,209,411	\$ 4,178,549	\$ 37,746,484
Contractual services	3,344,248	1,450,799	2,904,427	499,996	2,764,564	2,755,780	13,719,814
Advertising and marketing	376,206	-	1,258,070	2,379	16,899	166,139	1,819,693
Utilities	865,064	302,375	293,700	83,890	554,272	261,798	2,361,099
Technology	36,407	3,246,333	2,947	842	8,640	187,172	3,482,341
Minor equipment	199,235	2,267	5,155	75,300	6,848	3,348	292,153
Travel and conferences	99,740	131,169	735,742	78,106	3,013	144,107	1,191,877
Supplies	287,117	16,039	717,628	931,436	113,089	150,249	2,215,558
Printing	78	-	41,186	-	4,554	44,128	89,946
Insurance	296,804	106,259	590,062	41,510	183,513	263,479	1,481,627
Depreciation and impairment	1,846,852	1,113,659	627,029	229,581	1,183,334	1,016,092	6,016,547
Interest	948,002	584,425	178,296	5,418	551,986	321,387	2,589,514
Student activities	143,310	106,004	1,164,510	31,226	149,952	548,234	2,143,236
Other	615,289	926,252	453,736	119,899	24,069	302,922	2,442,167
Total	\$ 30,998,573	\$ 12,088,199	\$ 13,439,797	\$ 3,947,959	\$ 6,774,144	\$ 10,343,384	\$ 77,592,056

See accompanying notes.

Consolidated Statements of Cash Flows

For the years ended May 31,	2024	2023
Operating activities:		
Change in net assets	\$ (8,818,654)	\$ (6,202,657)
Adjustments to reconcile change in net assets to net cash flows from operating activities:		
Depreciation and impairment	6,285,403	6,016,547
Loss on building project abandonment	11,986,941	-
Net realized and unrealized (gains) losses on investments	(6,523,654)	1,526,289
Contributions for long-term investment	(499,099)	(188,744)
Changes in operating assets and liabilities:		
Student accounts receivable, net	(3,293,338)	(3,075,452)
Contributions and grants receivable, net	465,137	5,595,421
Financial aid and other receivables	150,850	(306,395)
Right of use assets and lease liabilities	53,772	-
Accounts payable and accrued liabilities	8,572,743	556,402
Deferred revenue	265,341	10,657
Refundable advances	1,781,171	(189,508)
Net operating activities	10,426,613	3,742,560
Investing activities:		
Property and equipment expenditures	(25,322,522)	(12,460,615)
Proceeds from sale of investments	151,587,283	9,276,957
Purchases of investments	(140,661,176)	(886,439)
Loans to students, net	(1,012,267)	(598,095)
Net investing activities	(15,408,682)	(4,668,192)
Financing activities:		
Net proceeds from issuance of short-term borrowings	2,500,000	2,500,000
Principal repayments of long-term debt	(1,054,532)	(6,271,620)
Proceeds from contributions for long-term investment	116,000	115,000
Change in government grants refundable	(192,161)	(43,645)
Net financing activities	1,369,307	(3,700,265)
Change in cash and cash equivalents	(3,612,762)	(4,625,897)
Cash and cash equivalents - beginning of year	6,079,958	10,705,855
Cash and cash equivalents - end of year	\$ 2,467,196	\$ 6,079,958

Notes to Consolidated Financial Statements

1. Summary of Significant Accounting Policies

Nature of Organization

D'Youville University (D'Youville) is a private university in Buffalo, New York offering undergraduate, graduate, doctoral, and continuing education programs primarily in health sciences, liberal arts, and business. D'Youville teaches its students to contribute to the world community by becoming leaders in their academic fields of study. D'Youville is primarily funded by tuition and fees charged to its students for programs offered. The consolidated financial statements include the activity of D'Youville, 301 Connecticut, LLC, (301 Connecticut), 301 Connecticut Holdings, Inc. (Holdings), and Vital Services, LLC (Vital Services) (collectively, the University). All significant intercompany balances and transactions have been eliminated in consolidation.

301 Connecticut was organized exclusively to finance and construct a health professions academic and community services building (the HUB) on the D'Youville campus, and to facilitate a New Markets Tax Credit (NMTC) transaction to provide funding for the HUB's construction (Note 11). The managing member (with 94.99% ownership) of 301 Connecticut is NYC HUB, LLC (NYC), whose sole member is D'Youville. Holdings is a C-corporation whose 200 shares of issued stock are owned by D'Youville. Holdings holds a non-controlling interest in 301 Connecticut. As such, D'Youville effectively has a 95% membership interest in 301 Connecticut.

Vital Services is a retail pharmacy located within the HUB which supports the educational goals of D'Youville and provides pharmacy services to surrounding neighborhoods. D'Youville, initially the sole member, amended and restated the operating agreement in March 2021 to include Unity RX Pharmacy LLC (Unity) as a member and manager. At May 31, 2024 and 2023, Unity maintains a 30% and 20% equity interest in Vital Services.

Subsequent Events

The University has evaluated events and transactions for potential recognition or disclosure in the financial statements through September 18, 2024, the date the financial statements were available to be issued.

Cash and Cash Equivalents

Cash and cash equivalents include amounts on deposit with financial institutions and investments in money market funds. Cash and cash equivalents in financial institutions potentially subjects the University to concentrations of credit risk since balances may exceed federally insured limits at various times during the year.

Investments

Investments for short-term purposes include funds that management considers available for operations. All investments are measured at fair value on a recurring basis as determined by quoted prices in active markets.

Property and Equipment

Property and equipment is stated at cost, or fair market value at the time of donation, net of accumulated depreciation. Depreciation is computed using the straight-line method over estimated useful asset lives. Maintenance and repairs are charged to operations as incurred; significant improvements are capitalized.

Debt Issuance Costs

Debt issuance costs are incurred on specific debt transactions and are netted against the related debt on the balance sheet. These costs are amortized to interest expense over the life of the debt.

Net Assets

The University classifies its net assets into two net asset categories for reporting purposes: without donor restrictions and with donor restrictions, according to the absence or existence of donor-imposed restrictions. Net assets with donor restrictions include net assets whose use is limited by donors to a specific purpose or time period, and perpetual endowment net assets which are donor gifts maintained in perpetuity with earnings used in accordance with donor stipulations.

Revenue Recognition

Revenue from students

The University's operating revenue is derived primarily from tuition, fees, and room and board charged to students. Tuition, fees, and room and board are charged at established rates depending on the program and residential facility the student selects. Tuition scholarships awarded by the University represent a reduction in the student's total cost of attendance and offset tuition revenue. The University awards both need-based and merit-based scholarships. Revenue from students is earned over the applicable academic term.

The University bills tuition, fees, and room and board in advance of the academic term. Receivables from students are recognized when there is an unconditional right to consideration. Receivables are reported net of an allowance for doubtful accounts based upon a review of outstanding receivables, historical collection information and forecasted economic conditions. Past due receivables are reviewed monthly and are written off when they are determined to be uncollectible. The University records deferred revenue equal to the amounts billed for which the University has not yet satisfied its performance obligations, which primarily include tuition and room deposits for future academic terms.

Contributions and Grants

Contributions, including government grants and appropriations, are reported at fair value at the date the contributions or pledges are received. Contributions are reported as restricted support if they are received with donor stipulations that limit the use of the donated assets, or if they are designated support for future periods. When a donor restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statement of activities as net assets released from restrictions. Contributions received with donor-imposed restrictions that are met in the same reporting period are shown as support without donor restrictions.

When significant, unconditional promises to give that are expected to be collected in future years are recorded at the present value of estimated future cash flows using a discount rate applicable to the year in which the pledge is received. Amortization of the discount is included in contributions revenue. Certain government grants are expense reimbursement grants. Under these grants, revenue is reported as expenses are incurred. Amounts received in advance of expenses incurred are reported as refundable advances.

Pharmacy Revenue

Pharmacy revenue includes sales of pharmaceuticals and vaccinations. Pharmacy revenue is recognized at the time of sale.

Functional Expense Allocations

The University's cost of providing its services has been summarized on a functional basis in the statements of functional expenses. Accordingly, certain costs have been allocated among programs and supporting services benefited. These costs include payroll taxes and benefits which are allocated as a percentage of total salaries, and other facilities related expenses such as utilities, insurance, depreciation, housekeeping, security and interest, which are allocated based on square footage. Included in institutional support are the University's estimated fundraising expenses for the years ended May 31, 2024 and 2023 which total \$1,306,000 and \$1,278,000.

Nonoperating Activities

Endowment gift income and investment income earned on investments held for long-term purposes in excess of the University's spending policy are classified as nonoperating activities in the accompanying statements of activities. All other activities are considered operating.

Tax Status

The University is a 501(c)(3) corporation exempt from income taxation under §501(a) of the Internal Revenue Code. Holdings is a C Corporation and is taxed as a separate entity. 301 Connecticut and Vital Services are partnerships not subject to income taxes; each member will separately report its allocated share of activity in those organizations. NYC is considered a disregarded entity for tax purposes.

Use of Estimates

The preparation of financial statements in accordance with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Reclassifications

The 2023 financial statements have been reclassified to conform to the presentation adopted for 2024.

2. Proposed College of Osteopathic Medicine

The University is seeking accreditation for a new College of Osteopathic Medicine (COM). The accreditor, the American Osteopathic Association's Council on Osteopathic College Accreditation (COCA), has established a 3-stage process for new and developing COMs prior to granting full accreditation – applicant, candidate, and pre-accreditation. COCA has specific guidelines the University must meet for each stage.

The University was awarded applicant status by COCA in June 2022 and candidate status in February 2024. The University has submitted its application for pre-accreditation status, which is pending review by COCA. Pre-accreditation status grants authority to the University to recruit and enroll students for the program. Pending the grant of pre-accreditation status, the University is planning for enrollment of an initial class of 90 students in Fall 2025. The COM would be expected to enroll a total of 720 students by 2031. Full accreditation is granted by COCA upon graduation of the initial class, expected in 2029.

For candidate status, in February 2024, the University was required by COCA to fund two reserve accounts for a teachout plan and working capital. The teachout plan reserve, initially funded at \$39,600,000, is a three-party escrow agreement between the University, COCA, and Wilmington Trust, as escrow trustee. It is intended to cover the cost of a teachout plan at another COM (or COMs) if the University were to enroll students into the osteopathic program and cease operations prior to their graduation. The working capital reserve, initially funded at \$9,900,000, remains within the University's control, but is required to be maintained to ensure adequate funds for administration of a winddown in the event of a cessation of operations. Under COCA's standards, the teachout plan reserve is released from escrow and the working capital reserve is no longer required upon graduation of the first class, expected in 2029.

The University anticipates that the planned COM will require approximately 100,000 square feet of new, dedicated space. The University initially planned for a new building on campus and engaged architectural and engineering services and commenced site work on the planned building site. Early in the construction process, the University elected to consider options for adaptive reuse of an existing building available for lease, which would allow for a site for the COM convenient to clinical placement sites, a quicker construction schedule, and a lower overall cost. During the year ended May 31, 2024, the University recognized the disposal of \$11,986,941 of construction in progress related to the initially planned building. The University is actively discussing a leased building option with a developer, but has not, as of September 18, 2024, executed a lease agreement.

To provide for the funding of the required reserve accounts, the construction of the planned facility, and operating expenses of the COM (which were approximately \$2,100,000 and \$1,100,000 for the years ended May 31, 2024 and 2023) during September 2023, the University's Board of Trustees redesignated 50% of the endowment without donor restriction, approximately \$16,800,000, for development of the COM. In February 2024, the University's Board of Trustees undesignated the remaining endowment without donor restriction to allow its use in funding the required reserve accounts. The February 2024 resolution called for the endowment without donor restriction to be restored upon the successful issuance of bonds by the University. The funding of COM related expenditures substantially depleted the University's available unrestricted cash and investments at May 31, 2024.

To replenish working capital and provide for further investment in the COM, the University issued \$44,935,000 of taxable bonds through the Buffalo and Erie County Industrial Land Development Corporation on August 13, 2024. The bonds bear interest at 8.375%, are secured by a general revenue pledge of the University and a mortgage on certain real property, and mature in 2030. The bond proceeds were used to extinguish the University's line of credit, re-establish approximately \$16,800,000 of endowment without donor restriction and support working capital.

3. Contributions and Grants Receivable

	2024	2023
Private contributions	\$ 1,057,643	\$ 877,302
Government grants	602,276	864,655
	<u>\$ 1,659,919</u>	<u>\$ 1,741,957</u>
	2024	2023
Amounts receivable in less than 1 year	\$ 1,061,776	\$ 1,198,155
Amounts receivable in 1 to 5 years	719,358	566,618
Amounts receivable in more than 5 years	-	100,000
	<u>1,781,134</u>	<u>1,864,773</u>
Present value adjustment	(121,215)	(122,816)
	<u>\$ 1,659,919</u>	<u>\$ 1,741,957</u>

Conditional promises to give are not recorded as revenue until such time as the conditions are substantially met and totaled \$940,000 at May 31, 2024 and 2023.

4. Investments

	2024	2023
Equities	\$ 14,830,394	\$ 46,264,127
Fixed income	10,028,239	23,006,825
Cash and money market funds	44,612,270	4,602,404
	<u>\$ 69,470,903</u>	<u>\$ 73,873,356</u>

The following provides a reconciliation of investments reported within the balance sheets:

	2024	2023
Investments - short-term purposes	\$ 930,412	\$ 1,505,581
Investments - long-term purposes	14,091,946	68,205,299
Reserve funds:		
Bond reserve	4,259,528	4,162,476
COM working capital	9,985,248	-
COM teachout	40,203,769	-
Total reserve funds	54,448,545	4,162,476
	<u>\$ 69,470,903</u>	<u>\$ 73,873,356</u>

5. Loans to Students

The University makes unsecured loans to students based on financial need. Student loans are funded through Federal government loan programs or institutional resources.

At May 31, 2024 and 2023, student loans consisted of the following:

	2024	2023
Federal government programs	\$ 5,067,079	\$ 4,511,444
Institutional programs	285,111	309,179
	<u>5,352,190</u>	<u>4,820,623</u>
Less allowance for doubtful amounts	355,000	835,700
	<u>\$ 4,997,190</u>	<u>\$ 3,984,923</u>

The University participates in the Federal Perkins, Nursing, Graduate Nursing, and Nurse Faculty revolving loan programs. The availability of funds for loans under these programs is dependent on reimbursements to the pool from repayments on outstanding loans. Funds originally advanced by the Federal government, as well as a proportionate share of interest and fees earned on the loans, are refundable to the government when the University discontinues participation in the loan programs and are recorded as U.S. government loan funds refundable on the balance sheets.

Allowances for doubtful amounts are established based on prior collection experience and current future economic factors which, in management's judgment, could influence the ability of loan recipients to repay the amounts per the loan terms.

6. Property and Equipment

	2024	2023
Land and improvements	\$ 10,441,382	\$ 9,086,754
Buildings and improvements	151,257,687	138,831,503
Equipment	31,887,459	26,450,533
Library holdings	9,159,123	9,159,123
Construction in progress	3,405,602	10,708,370
	<u>206,151,253</u>	<u>194,236,283</u>
Less accumulated depreciation	66,027,790	59,742,387
	<u>\$ 140,123,463</u>	<u>\$ 134,493,896</u>

Construction in progress in 2024 consists of design work for a future osteopathic medicine facility of \$1,200,000 and various campus renovations with anticipated additional costs of \$2,900,000 and expected completion dates in 2025 and beyond.

During 2024, the planned building project for the COM was discontinued and related construction in progress totaling \$11,986,941 was written off (Note 2).

In December 2022, a severe winter storm significantly damaged several campus buildings. As a result, the University recognized an impairment loss of \$500,000 in 2023 and incurred approximately \$10,000,000 in cumulative restoration expenses (approximately \$6,500,000 was included in construction in progress at May 31, 2023), and placed in service in 2024. Nonrecurring insurance proceeds of \$4,245,270 and \$5,472,573 were received and recorded as income in the 2024 and 2023 statements of activities. Additionally, the University is pursuing reimbursement of certain costs by the Federal Emergency Management Agency (FEMA). Potential FEMA reimbursement and unreceived insurance recoveries have not been recorded in these financial statements.

7. New Market Tax Credit Loan Receivable

As part of the New Market Tax Credit (NMTC) transaction more fully described in Note 11, D'Youville loaned \$13,932,900 to Twain Investment Fund 447, LLC (Twain LLC). Interest only payments at 3.647% are received annually for seven years beginning December 15, 2020. Failure to exercise the put and call option related to the NMTCs as described in Note 11 will result in payments of interest and principal sufficient to amortize the outstanding principal amount over the remaining term of the loan on a level payment basis beginning December 2027. The loan is secured by Twain LLC's equity interest in Brownfield Revitalization 65, LLC (BR 65) and URP Subsidiary CDE 38, LLC (URP).

8. Short-Term Borrowings

D'Youville had available a \$5,000,000 bank demand line of credit with interest payable at the overnight SOFR rate plus 1.75% or term SOFR rate plus 1.75%, and secured by pledged revenues. Amounts outstanding under the line totaled \$5,000,000 and \$2,500,000 on May 31, 2024 and 2023. The line was paid in full and closed on August 13, 2024 in connection with bonds issued (Note 2).

9. Long-Term Debt

	2024	2023
QLICI loans (4) as detailed in Note 11, annual interest payments at 2.7542% per annum for the seven-year tax NMTC period beginning December 2020, monthly principal and interest payments due beginning December 2027. Loans mature January 2050, are secured by assets of 301 Connecticut, and guaranteed by D'Youville.	\$ 18,650,000	\$ 18,650,000
\$34,370,000 Tax-Exempt Series 2020A revenue bonds payable, secured by pledged revenues and debt service reserve funds, interest only payable bi-annually from May 2021 to May 2031 at 4% per annum, annual principal and interest payments due beginning May 2032 with loans maturing in May 2051. Balance includes premium of \$734,388 and \$850,345 at May 31, 2024 and 2023 with amortization through the call date in November 2030.	35,104,388	35,220,345
\$13,835,000 Taxable Series 2020B revenue bonds payable, secured by pledged revenues and debt service reserve funds, interest only payable bi-annually through May 2021 at 3.35%-4.40% per annum, callable in November 2030, annual principal and interest payments due beginning May 2022 with loans maturing in May 2034.	11,245,000	12,155,000
Equipment finance loans, secured by related equipment.	157,423	227,075
	65,156,811	66,252,420
Less unamortized debt issuance costs	1,085,102	1,126,179
Less current portion	1,131,483	1,095,608
	<u>\$ 62,940,226</u>	<u>\$ 64,030,633</u>

Gross principal payments due on the outstanding term debt are as follows:

2025	\$ 1,131,483
2026	1,172,852
2027	1,120,956
2028	1,165,956
2029	1,205,956
Thereafter	59,359,608
	<u>\$ 65,156,811</u>

On August 13, 2024, the University issued \$44,935,000 in additional bonds (Note 2).

10. Lease Obligations:

The University began leasing certain building space under the terms of operating leases in 2024.

At inception of arrangements with vendors, the University determines whether the contract is or contains a lease based on each party's rights and obligations under the arrangement. At inception, any new additional operating lease liabilities and corresponding right of use (ROU) assets are based on the present value of the remaining minimum rental payments. If the lease arrangement also contains non-lease components, the University elected the practical expedient not to separate any combined lease and non-lease components for all lease contracts.

The present value of the University's lease liabilities were calculated using a risk free rate of 4.6%-4.8%. At May 31, 2024, operating ROU assets totaled \$1,042,084 and lease liabilities totaled \$1,095,856.

When applicable and as permitted by guidance, leases with expected durations of less than 12 months from inception (i.e. short-term leases) are excluded from the University's calculation of its lease liabilities and ROU assets.

The following is a summary of the University's approximate total lease costs, which are included in other expense on the accompanying 2024 statement of functional expenses:

	2024
Operating lease cost	<u>\$ 210,600</u>
Cash paid for amounts included in the measurement of lease liabilities totaled \$156,800 for 2024.	

The following is a summary of the University's maturity of operating lease liabilities:

2025	\$ 380,006
2026	380,006
2027	339,795
2028	70,000
Total lease payments	1,169,807
Less interest	73,951
Total lease liability	\$ 1,095,856

11. HUB Project

In July 2021, the HUB was completed and placed into service.

New Market Tax Credits

The NMTC program offers a seven-year, 39% federal tax credit for Qualified Equity Investments (QEI) made through investment vehicles known as Community Development Entities (CDEs). CDEs use capital derived from tax credits and leveraged loans to make Qualified Low-Income Community Investment (QLICI) loans to or investments in businesses and projects under favorable economic terms. To earn the tax credit, the QEI must remain invested in the CDEs for a seven-year period and satisfy certain restrictions related to project use and reporting.

The University entered into a NMTC transaction with U.S. Bancorp Community Development Corporation (USBCDC). As part of this transaction, Twain LLC was established with an equity contribution of \$6,069,375 from USBCDC, its sole member and investor, and a leveraged loan of \$13,932,900 from D'Youville, the proceeds of which were used by Twain LLC to make QEIs in exchange for a 99.99% membership interest in BR 65 and URP (CDEs). Neither D'Youville or 301 Connecticut controls or has an economic interest in the assets of either Twain LLC or the CDEs.

The CDEs used the investment proceeds to make QLICI loans to 301 Connecticut totaling \$18,650,000 (Note 9).

Pursuant to a Put and Call Agreement, USBCDC is allowed to put its ownership interest for \$1,000 at any time during the six-month period beginning January 2027, the end of the seven year tax compliance period. If USBCDC does not exercise the put option within this period, the University can exercise a call option to purchase the interest of the QEI at an appraised market value, as determined by mutual agreement among the parties or qualified independent appraiser, for a subsequent six month period. Exercising of the option agreement after the seven year compliance period will effectively give the University control over the outstanding loans receivable and payable, at which point it could elect to extinguish the debt and entities related to the NMTC structure.

Lease Agreements

D'Youville is the fee title holder of property located at 301 Connecticut Street, Buffalo, New York (HUB Property) and 301 Connecticut maintains a leasehold interest in the HUB Property. The lease is an absolute net lease whereby 301 Connecticut is responsible for payment of all costs, expenses and obligations related to the HUB Property.

Effective July 2021, D'Youville and 301 Connecticut entered into a twenty-year sublease agreement for approximately 77% of the leasable space of the HUB. Intercompany annual base rent is as follows:

Years 1-6	\$ 341,504
Years 7-10	725,696
Years 11-15	864,432
Years 16-20	907,654

Effective July 2021, 301 Connecticut entered into a twenty-year sublease agreement (plus five year renewal option) with an unrelated party. In addition to base rent, the lessee will pay its pro-rata share of essentially all direct and indirect expenses of operations and pay \$157,166 annually for ten years to amortize build-out costs. Annual base rent is as follows:

Years 1-5	\$ 163,456
Years 6-10	171,629
Years 11-15	180,210
Years 16-20	189,200

12. Time or Purpose Restricted Net Assets

Time or purpose restricted net assets at May 31, 2024 and 2023 are held for the following purposes:

	2024	2023
Institutional support	\$ 1,305,615	\$ 5,959,589
Accumulated unappropriated earnings on endowment funds held in perpetuity	5,483,099	2,910,825
Scholarships/programs	4,253,633	3,499,472
	<u>\$ 11,042,347</u>	<u>\$ 12,369,886</u>

13. Perpetual Endowment Net Assets

Perpetual endowment net assets as of May 31, 2024 and 2023 represent the accumulated principal of donor-restricted endowment gifts which are to be invested in perpetuity, the income and gains from which are expendable in accordance with donor stipulations.

The University has adopted investment and spending policies for endowment assets that attempt to provide a reasonable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of its endowment assets. Endowment assets include those assets of donor-restricted funds that the University must hold in perpetuity or for donor-specified periods.

The University has a policy to appropriate for distribution each year up to a maximum of 5% of the trailing 20 quarter average market value of each restricted fund's portfolio as of May 31st. The University expects its endowment funds, over time, to provide an average rate of return of at least 300 basis points greater than the rate of inflation as measured by the consumer price index (CPI) on the entire portfolio over a seven to ten-year period. Actual returns in any given year may vary from this amount.

The University's Board of Trustees has interpreted the New York State Prudent Management of Institutional Funds Act (NYPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of donor-restricted endowment funds, absent explicit donor stipulations to the contrary. As a result of this interpretation, the University classifies as perpetual endowment net assets (a) the original value of gifts donated to the perpetual endowment, (b) the original value of subsequent gifts to the perpetual endowment, and (c) accumulations to the perpetual endowment made in accordance with the direction of a donor gift instrument at the time the accumulation is added to the fund.

Investment earnings, including interest, dividends, realized gains, and appreciation, are classified as time or purpose restricted net assets, except those earnings that are classified as perpetual endowment pursuant to the donor's intent to have their endowment reach a specific dollar value.

These amounts are appropriated for expenditure by the University in a manner consistent with the standard of prudence prescribed by NYPMIFA.

In accordance with NYPMIFA, the University considers the following factors to appropriate or accumulate donor-restricted endowment earnings:

- 1) Duration and preservation of the fund
- 2) Purposes of the University and the fund
- 3) General economic conditions
- 4) Possible effect of inflation and deflation
- 5) Expected total return from income and appreciation of investments
- 6) Other resources of the University
- 7) Where appropriate and circumstances would otherwise warrant, alternatives to expenditure of the endowment fund, giving due consideration to the effect that such alternatives may have on the University
- 8) Investment policy of the University

Endowment assets are monitored by management and the Board of Trustees. The University's endowment asset activity for the years ended May 31, 2024 and 2023 is as follows:

2024				
	Without Donor Restriction	Accumulated Earnings on Perpetual Endowment	Perpetual Endowment	Total
Endowment May 31, 2023	\$ 32,476,568	\$ 2,910,825	\$ 16,325,353	\$ 51,712,746
Investment return	2,512,311	3,531,806	-	6,044,117
Contributions	-	-	499,099	499,099
Appropriations	(34,988,879)	(959,532)	-	(35,948,411)
Endowment May 31, 2024	\$ -	\$ 5,483,099	\$ 16,824,452	\$ 22,307,551
2023				
	Without Donor Restriction	Accumulated Earnings on Perpetual Endowment	Perpetual Endowment	Total
Endowment May 31, 2022	\$ 33,475,139	\$ 3,496,391	\$ 16,133,542	\$ 53,105,072
Investment return	443,988	260,356	3,067	707,411
Contributions	-	-	188,744	188,744
Appropriations	(1,442,559)	(845,922)	-	(2,288,481)
Endowment May 31, 2023	\$ 32,476,568	\$ 2,910,825	\$ 16,325,353	\$ 51,712,746

As described in Note 2, the endowments without donor restrictions were undesignated during 2024 by the Board of Trustees. Upon the issuance of bonds on August 13, 2024, \$16,800,000 was re-designated as endowment without donor restriction.

14. Retirement Plan

The University maintains contributory, defined-contribution pension plans (the Plans) covering substantially all employees. The University contributes an amount ranging from 3% to 7% of an eligible employee's compensation, with the percentage dependent on the employee's contribution percentage. The University contributed \$1,510,170 and \$1,472,527 to the Plans for the years ended May 31, 2024 and 2023. The University funds retirement costs as accrued.

15. Cash Flows Information

Net cash flows from operating activities reflect cash payments for noncapitalized interest for the years ended May 31, 2024 and 2023 of \$2,636,605 and \$2,591,970.

The 2024 and 2023 statements of cash flows exclude property and equipment additions included in accounts payable totaling \$1,111,010 and \$2,531,621.

16. Contingencies

The University receives financial assistance from federal and state agencies in the form of grants. The expenditure of grant funds generally requires compliance with the terms and conditions specified in the agreements and are subject to audit by grantor agencies. Any disallowed claims resulting from such audits could become a liability of the University. Based on prior experience, management expects such amounts, if any, to be immaterial.

The University is involved in various legal proceedings which, in the opinion of management, will not have a material adverse effect upon the financial position of the University.

17. Financial Assets Available for Operating Purposes

The University obtains financial assets generally through revenues from students, contributions, and pharmacy revenue. The financial assets are acquired throughout the year to help meet the University's cash needs for general expenditures.

The University's financial assets available within one year of the balance sheet date to meet cash needs for general expenditures consist of the following items not subject to donor restrictions at May 31, 2024 and 2023:

	2024	2023
Cash and cash equivalents	\$ 2,467,196	\$ 6,079,958
Student accounts receivable	8,130,304	4,836,966
Contributions receivable – current	1,061,776	1,198,155
Other receivables	2,718,956	2,869,806
Investments (non-reserve funds)	15,022,358	69,710,880
	29,400,590	84,695,765
Less net assets with donor restrictions	27,866,799	28,695,239
	\$ 1,533,791	\$ 56,000,526

18. Financial Outlook

The financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America which contemplate the realization of assets and the satisfaction of liabilities and commitments in the normal course of business.

In the past three years, the University has incurred approximately \$19,200,000 in operating losses. As discussed in Note 2, approximately \$15,200,000 of the operating losses relate to the development of the proposed COM, inclusive of \$12,000,000 from the abandonment of the COM building project. The remaining \$4,000,000 stems from decreased enrollment following the COVID-19 pandemic and increased operating costs. In the past three years, the University has also invested approximately \$21,800,000 of cash and investments into campus capital improvements, in addition to its investment in development of the osteopathic program, and excluding projects funded by insurance proceeds. The combination of these investments and losses has contributed to a decrease in liquidity.

On August 13, 2024, the University issued \$44,935,000 of bonds, receiving \$40,000,000 in proceeds net of issuance costs and interest reserves. The net proceeds were used to repay \$5,000,000 outstanding on the line of credit, restore \$16,800,000 to investments without donor restrictions, and replenish working capital.

Additional operating plans of management and the University's Board of Trustees include a focus on increasing enrollment, particularly in graduate programs and online and hybrid learning options. Management also continues to closely monitor operating costs and has decreased spending on capital improvements for 2025 relative to recent years. Longer term, the osteopathic medicine program described in Note 2 is expected to grow enrollment by 720 by 2031.

D'YOUVILLE UNIVERSITY AND AFFILIATES

Additional Information
Consolidating Balance Sheet

May 31, 2024

	D'Youville University	301 Connecticut, LLC	Vital Services, LLC	Eliminations	Totals
Assets					
Current assets:					
Cash and cash equivalents	\$ 838,309	\$ 1,487,474	\$ 141,413	\$ -	\$ 2,467,196
Investments - short-term purposes	930,412	-	-	-	930,412
Student accounts receivable, net	8,130,304	-	-	-	8,130,304
Contributions and grants receivable	1,061,776	-	-	-	1,061,776
Financial aid and other receivables	16,477,683	2,615,700	126,222	(16,500,649)	2,718,956
	27,438,484	4,103,174	267,635	(16,500,649)	15,308,644
Contributions and grants receivable, noncurrent	598,143	-	-	-	598,143
Investments - long-term purposes	14,091,946	-	-	-	14,091,946
Investments - reserve funds	54,448,545	-	-	-	54,448,545
Loans to students, net	4,997,190	-	-	-	4,997,190
Property and equipment, net	113,046,434	26,771,908	305,121	-	140,123,463
Right of use assets - leases	9,312,006	-	156,643	(8,426,565)	1,042,084
Investment in subsidiaries	589,077	-	-	(589,077)	-
New Market Tax Credit loan receivable	13,932,900	-	-	-	13,932,900
	\$ 238,454,725	\$ 30,875,082	\$ 729,399	\$ (25,516,291)	\$ 244,542,915
Liabilities and Net Assets					
Current liabilities:					
Short-term borrowings	\$ 5,000,000	\$ -	\$ -	\$ -	\$ 5,000,000
Current portion of long-term debt	1,131,483	-	-	-	1,131,483
Current portion of lease liabilities	721,510	-	24,102	(365,606)	380,006
Accounts payable and accrued liabilities	21,297,769	14,234,390	87,172	(15,832,216)	19,787,115
Deferred revenue	445,541	-	-	-	445,541
Refundable advances	2,823,753	-	-	-	2,823,753
	31,420,056	14,234,390	111,274	(16,197,822)	29,567,898
Long-term debt	44,290,226	18,650,000	-	-	62,940,226
Lease liabilities	9,259,599	-	131,871	(8,675,620)	715,850
U.S. government loan funds refundable	2,897,603	-	-	-	2,897,603
Net assets:					
Without donor restrictions	122,675,031	(2,009,308)	486,254	(642,849)	120,509,128
Noncontrolling members' interest in subsidiary entities	45,411	-	-	-	45,411
	122,720,442	(2,009,308)	486,254	(642,849)	120,554,539
With donor restrictions:					
Time or purpose	11,042,347	-	-	-	11,042,347
Perpetual endowment	16,824,452	-	-	-	16,824,452
	150,587,241	(2,009,308)	486,254	(642,849)	148,421,338
	\$ 238,454,725	\$ 30,875,082	\$ 729,399	\$ (25,516,291)	\$ 244,542,915

D'YOUVILLE UNIVERSITY AND AFFILIATES

Additional Information
Consolidating Statement of Activities

For the year ended May 31, 2024

	Without Donor Restrictions	With Donor Restrictions		D'Youville University Total	301 Connecticut, LLC	Vital Services, LLC	Eliminations	Consolidated Total
		Time or Purpose	Perpetual Endowment					
Operating revenue:								
Tuition and fees, net of scholarships and grants	\$ 56,097,464	\$ -	\$ -	\$ 56,097,464	\$ -	\$ -	\$ -	\$ 56,097,464
Room and board, net of waivers	5,162,254	-	-	5,162,254	-	-	-	5,162,254
Revenue from students	61,259,718	-	-	61,259,718	-	-	-	61,259,718
Government grants and appropriations	4,345,757	-	-	4,345,757	-	-	-	4,345,757
Private contributions	2,168,709	369,769	-	2,538,478	-	-	-	2,538,478
Pharmacy revenue	-	-	-	-	-	2,728,383	-	2,728,383
Investment income designated for current operations	2,884,618	959,532	-	3,844,150	-	-	-	3,844,150
Insurance recovery	4,245,270	-	-	4,245,270	-	-	-	4,245,270
Other	731,579	-	-	731,579	1,397,398	-	(1,025,953)	1,103,024
Net assets released from restrictions	5,229,114	(5,229,114)	-	-	-	-	-	-
Total operating revenue	80,864,765	(3,899,813)	-	76,964,952	1,397,398	2,728,383	(1,025,953)	80,064,780
Operating expenses:								
Instruction	32,123,983	-	-	32,123,983	-	-	(384,788)	31,739,195
Academic support	11,252,795	-	-	11,252,795	1,706,523	-	(81,612)	12,877,706
Student services	15,579,596	-	-	15,579,596	-	-	(159,243)	15,420,353
Community services	2,762,161	-	-	2,762,161	-	2,930,603	(37,315)	5,655,449
Auxiliary enterprises	7,751,053	-	-	7,751,053	-	-	(192,773)	7,558,280
Institutional support	10,177,352	-	-	10,177,352	-	-	(116,450)	10,060,902
Building project abandonment	11,986,941	-	-	11,986,941	-	-	-	11,986,941
Total operating expenses	91,633,881	-	-	91,633,881	1,706,523	2,930,603	(972,181)	95,298,826
Change in net assets from operating activities	(10,769,116)	(3,899,813)	-	(14,668,929)	(309,125)	(202,220)	(53,772)	(15,234,046)
Nonoperating activities:								
Investment income in excess of amount designated for current operations	3,344,019	2,572,274	-	5,916,293	-	-	-	5,916,293
Endowment gift income	-	-	499,099	499,099	-	-	-	499,099
Total nonoperating activities	3,344,019	2,572,274	499,099	6,415,392	-	-	-	6,415,392
Total change in net assets	(7,425,097)	(1,327,539)	499,099	(8,253,537)	(309,125)	(202,220)	(53,772)	(8,818,654)
Net assets - beginning of year	130,145,539	12,369,886	16,325,353	158,840,778	(1,700,183)	688,474	(589,077)	157,239,992
Net assets - end of year	\$ 122,720,442	\$ 11,042,347	\$ 16,824,452	\$ 150,587,241	\$ (2,009,308)	\$ 486,254	\$ (642,849)	\$ 148,421,338