Financial Statements and Report of Independent Certified Public Accountants

Duquesne University of the Holy Spirit

Years ended 2024 and 2023

Contents

GRANT THORNTON LLP
Two Commerce Square
2001 Market St., Suite 700
Philadelphia, PA 19103-7065

D +1 215 561 4200
F +1 215 561 1066

REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

To the Board of Directors
Duquesne University of the Holy Spirit

Opinion

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

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the University as of June 30, 2024 and 2023, and the changes in 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 of the financial statements in accordance with auditing standards generally accepted in the United States of America (US GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the University and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of management for the financial statements

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

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

Auditor's responsibilities for the audit of the financial statements

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

In performing an audit in accordance with US 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.

Grant Thornton LLP

Philadelphia, Pennsylvania
October 11, 2024

Duquesne University of the Holy Spirit

STATEMENTS OF FINANCIAL POSITION

June 30,
(Dollars in thousands)

	2024	2023
ASSETS		
Cash and cash equivalents	$ 38,763	$ 45,118
Accounts receivable, net	39,648	34,749
Assets in escrow related to debt service and construction	23,818	28,564
Pledges receivable, net	18,096	34,448
Deferred charges and other assets	9,136	10,302
Loans receivable, net	6,265	7,055
Investments	686,997	619,597
Property, plant and equipment, net	336,453	307,379
Right-of-use assets	2,086	2,907
Total assets	$ 1,161,262	$ 1,090,119
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and accrued expenses	$ 33,891	$ 34,665
Annuities payable	388	410
Deferred revenues and deposits	45,664	46,074
Accumulated postretirement benefits	4,553	4,667
Agency funds	1,444	1,505
Debt and lease obligations, net	237,946	219,333
Liabilities associated with investments	-	5,020
Conditional asset retirement obligations	4,729	4,506
Federal loan funds	6,564	6,998
Total liabilities	335,179	323,178
Net assets		
Without donor restrictions	504,120	468,221
With donor restrictions	321,963	298,720
Total net assets	826,083	766,941
Total liabilities and net assets	$ 1,161,262	$ 1,090,119

The accompanying notes are an integral part of these financial statements.

Duquesne University of the Holy Spirit

STATEMENTS OF ACTIVITIES

Year ended June 30, 2024 with summarized information for 2023
(Dollars in thousands)

	2024			2023
	Without Donor Restrictions	With Donor Restrictions	Total	Total
Operating revenues				
Tuition and fees, net	$ 214,857	$ -	$ 214,857	$ 212,950
Auxiliary enterprises, net	44,154	-	44,154	36,077
Grants and contracts	4,074	17,958	22,032	15,246
Gifts and pledges	503	11,554	12,057	13,529
Endowment earnings distributed for operations	10,397	7,404	17,801	25,168
Working capital earnings distributed for operations	4,012	-	4,012	7,489
Investment income	6,501	134	6,635	5,145
Gain from the sale of property, plant and equipment	-	-	-	2,000
Other	5,733	-	5,733	5,925
Net assets released from restrictions	41,469	(41,469)	-	-
Total operating revenues	331,700	(4,419)	327,281	323,529
Operating expenses				
Instructional	133,595	-	133,595	123,412
Institutional support	58,777	-	58,777	55,121
Auxiliary enterprises	50,559	-	50,559	45,513
Academic support	42,912	-	42,912	40,357
Student services	21,819	-	21,819	20,174
Public service	3,509	-	3,509	3,353
Research	10,531	-	10,531	10,480
Total operating expenses	321,702	-	321,702	298,410
Excess of operating revenues over operating expenses	9,998	(4,419)	5,579	25,119
Nonoperating revenues and expenses				
Gifts and pledges	(5)	4,706	4,701	25,769
Return on investments	41,785	30,317	72,102	48,440
Endowment earnings distributed for operations	(10,397)	(7,404)	(17,801)	(25,168)
Working capital earnings distributed for operations	(4,012)	-	(4,012)	(7,489)
Costs associated with separation agreements	(1,093)	-	(1,093)	(97)
Gain on the defeasance of debt	-	-	-	855
Other	(377)	43	(334)	(355)
Net nonoperating revenues and expenses	25,901	27,662	53,563	41,955
CHANGE IN NET ASSETS	35,899	23,243	59,142	67,074
Net assets, beginning of year	468,221	298,720	766,941	699,867
Net assets, end of year	$ 504,120	$ 321,963	$ 826,083	$ 766,941

The accompanying notes are an integral part of these financial statements.

Duquesne University of the Holy Spirit

STATEMENTS OF ACTIVITIES

Year ended June 30,
(Dollars in thousands)

	2023		
	Without Donor Restrictions	**With Donor Restrictions**	**Total**
Operating revenues			
Tuition and fees, net	$ 212,950	$ -	$ 212,950
Auxiliary enterprises, net	36,077	-	36,077
Grants and contracts	3,847	11,399	15,246
Gifts and pledges	68	13,461	13,529
Endowment earnings distributed for operations	15,371	9,797	25,168
Working capital earnings distributed for operations	7,489	-	7,489
Investment income	5,023	122	5,145
Gain from the sale of property, plant and equipment	2,000	-	2,000
Other	5,925	-	5,925
Net assets released from restrictions	27,769	(27,769)	-
Total operating revenues	316,519	7,010	323,529
Operating expenses			
Instructional	123,412	-	123,412
Institutional support	55,121	-	55,121
Auxiliary enterprises	45,513	-	45,513
Academic support	40,357	-	40,357
Student services	20,174	-	20,174
Public service	3,353	-	3,353
Research	10,480	-	10,480
Total operating expenses	298,410	-	298,410
Excess of operating revenues over operating expenses	18,109	7,010	25,119
Nonoperating revenues and expenses			
Gifts and pledges	123	25,646	25,769
Return (loss) on investments	29,810	18,630	48,440
Endowment earnings distributed for operations	(15,371)	(9,797)	(25,168)
Working capital earnings distributed for operations	(7,489)	-	(7,489)
Costs associated with separation agreements	(97)	-	(97)
Gain on the defeasance of debt	855	-	855
Other	(392)	37	(355)
Net nonoperating revenues and expenses	7,439	34,516	41,955
CHANGE IN NET ASSETS	25,548	41,526	67,074
Net assets, beginning of year	442,673	257,194	699,867
Net assets, end of year	$ 468,221	$ 298,720	$ 766,941

The accompanying notes are an integral part of these financial statements.

Duquesne University of the Holy Spirit

STATEMENTS OF CASH FLOWS

Years ended June 30,
(Dollars in thousands)

	2024	2023
Cash flows from operating activities:		
Change in net assets	$ 59,142	$ 67,074
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:		
Depreciation and amortization	20,491	18,720
Realized and unrealized gains on investments	(62,350)	(43,024)
Gifts restricted for long-term purposes	(8,082)	(28,514)
Provision for expected credit loss	1,203	1,369
Gain on disposal of property, plant and equipment	(1)	(2,045)
Gain on defeasance of debt	-	(855)
Changes in operating assets and liabilities:		
Increase in receivables	(4,126)	(6,674)
Decrease (increase) in deferred charges and other assets	1,166	(2,732)
Increase (decrease) in accounts payable and accrued expenses	2,141	(7,534)
Increase in annuities payable	94	629
Decrease in deferred revenues and deposits	(410)	(1,316)
(Decrease) increase in agency funds	(61)	385
Increase in conditional asset retirement obligations	223	185
Net cash provided by (used in) operating activities	9,430	(4,332)
Cash flows from investing activities:		
Purchases of investments	(71,104)	(347,342)
Proceeds from the sale/redemption of investments	66,054	354,774
Change in liabilities associated with investments	(5,020)	542
Deposits with trustee for construction	(30,010)	(17,532)
Withdrawals from trustee for construction	35,894	20,089
Deposits of funds held in escrow related to debt service	(1,141)	(1,412)
Withdrawals of funds held in escrow related to debt service	3	17,531
Receipt of federal loan funds	460	622
Payments of federal loan funds and annuities	(1,010)	(1,951)
Proceeds from the sale of property	46	6,484
Expenditures for land, buildings and equipment	(54,794)	(39,697)
Net cash used in investing activities	(60,622)	(7,892)
Cash flows from financing activities:		
Proceeds from the issuance of new debt	30,010	17,532
Repayments of long-term borrowings	(8,421)	(25,344)
Collection of gifts restricted for long-term purposes	23,248	21,287
Net cash provided by financing activities	44,837	13,475
(DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(6,355)	1,251
Cash and cash equivalents, beginning of year	45,118	43,867
Cash and cash equivalents, end of year	$ 38,763	$ 45,118
Supplemental disclosures:		
In-kind gifts consisting of contributed services	$ 303	$ 700
Interest paid	$ 7,923	$ 8,431
Accounts payable related to construction in progress	$ 1,230	$ 4,259

The accompanying notes are an integral part of these financial statements.

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

Organization

Duquesne University of the Holy Spirit (the “University”) is a private, Catholic University, organized as a tax-exempt nonprofit corporation under the laws of the Commonwealth of Pennsylvania. The University was founded by the Holy Ghost Fathers and first opened its doors as the Pittsburgh Catholic College of the Holy Ghost in 1878. By 1911, the University was the first Catholic institution in Pennsylvania to achieve university status, at which time the name Duquesne University of the Holy Ghost was adopted. In 2002, the University changed its name to Duquesne University of the Holy Spirit and is the only Spiritan institution of higher education in the United States.

Located adjacent to the downtown area of the City of Pittsburgh, Pennsylvania, the University’s hilltop (“bluff”) campus is close in proximity to the City’s business and cultural center. The University has a 48-acre main-campus and is comprised of 10 schools with the most recent addition of the College of Osteopathic Medicine. Duquesne’s students come from every state and scores of countries across the world. The University’s principal sources of revenue include student tuition and fees, auxiliary revenues, grants, and gifts.

Basis of Presentation

The financial statements have been prepared on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America (“U.S. GAAP”). Net assets, revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed stipulations. Accordingly, net assets of the University and changes therein are classified and reported as follows:

- Without donor restrictions - Net assets that are not subject to donor-imposed stipulations.

- With donor restrictions - Net assets subject to donor-imposed stipulations that may or will be met either by actions of the University and/or the passage of time. Also included in this category are other net assets with donor restrictions which are subject to donor-imposed stipulations or by law that they be maintained in perpetuity by the University. Generally, the donors of these assets permit the University to use all or part of the income earned on related investments for general or specific purposes.

Taxes

The University has been determined to be exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code (“IRC”) of 1986. As a result, no provision for taxes has been made in the accompanying financial statements.

The University adopted guidance for uncertainty in income taxes, which provides criteria for the recognition and measurement of uncertain tax positions. This guidance requires that an uncertain tax position should be recognized only if it is “more likely than not” that the position is sustainable based on its technical merits. Recognizable tax positions should then be measured to determine the amount of benefit recognized in the financial statements. The University files U.S. federal, state, and local income tax returns, and no returns are currently under examination. The University continues to evaluate its tax positions pursuant to the principles of such guidance and has determined that there is no material impact on the University’s financial statements.

Use of Estimates

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

Cash and Cash Equivalents

Cash and cash equivalents include all highly liquid investments with original maturities of less than three months. Cash equivalents are stated at cost, which approximates fair value.

Concentration of Credit Risk

The University maintains cash and cash equivalent balances with banking institutions and brokerage companies. At June 30, 2024, the amounts on deposit at the banking institutions and the amounts on deposit at the brokerage companies exceeded the amounts that would be covered by the Federal Deposit Insurance Corporation ("FDIC") and the Securities Investor Protection Corporation ("SIPC"), respectively. In management's opinion, the amounts in excess of FDIC and SIPC limits do not pose significant risk to the University.

Risks and Uncertainties

Investment securities are exposed to various risks, such as interest rate, credit, and overall market volatility. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in risks and values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the statements of financial position.

Pledges Receivable

Pledges receivable from fund-raising campaigns are recorded by the University when the unconditional promise to give (pledge) is made and are recorded at fair value using a discount rate commensurate with the risks associated with the pledge.

The allowance for credit losses on pledges receivable is based upon management's judgment, including such factors as prior collection history and type of receivable. The University writes off receivables when they become uncollectible, with the expense presented as an offset to gift revenue, and payments subsequently received on such receivables are credited to the allowance for credit losses.

Property, Plant, and Equipment

Property, plant, and equipment are stated at cost at the date of acquisition or fair value at the date of donation in the case of gifts. Depreciation is computed on a straight-line basis over the estimated useful lives of the assets. The following table shows the estimated useful lives of property, plant, and equipment:

Land improvements	10 years
Buildings	40 years
Building improvements	10 - 40 years
Furniture, equipment, and software	5 - 15 years

The University reviews its property, plant, and equipment for impairment whenever events or changes in circumstances indicate that the carrying amount of these assets may not be recoverable. No impairment charges were recorded by the University in 2024 or 2023.

Deferred Revenues and Deposits

Deferred revenues and deposits represent revenues currently received for programs or activities to be conducted primarily in the next fiscal year, such as summer and fall tuition and fees and room and board. Also included in deferred revenues and deposits is deferred revenue related to sponsorship agreements and commitment deposits received from certain vendors, which will be recognized as income over the lives of the related agreements. In addition, included in deferred revenues are funds received related to certain refundable grants. These amounts will be recognized as income as the conditions are met in accordance with the underlying terms of the grants.

The activity and balances for deposits and deferred revenues from contracts with customers are shown in the following table (in thousands):

	Tuition, Fees, Room and Board	Sponsored Projects	Third-Party Vendors/ Sponsorship Agreements	Other	Total
Balance at June 30, 2022	$ 11,228	$ 1,674	$ 34,416	$ 72	$ 47,390
Revenue recognized	(11,228)	(1,958)	(1,807)	(72)	(15,065)
Amounts recorded for future performance obligations	11,644	1,665	241	199	13,749
Balance at June 30, 2023	11,644	1,381	32,850	199	46,074
Revenue recognized	(11,644)	(1,466)	(2,073)	(199)	(15,382)
Amounts recorded for future performance obligations	14,261	375	253	83	14,972
Balance at June 30, 2024	$ 14,261	$ 290	$ 31,030	$ 83	$ 45,664

Liabilities Associated with Investments

For the fiscal year ended June 30, 2023, the University invested capital on behalf of a religious entity that shares the University's Catholic ministry and educational missions, reporting an equal asset and liability in the statements of financial position of $5.0 million. The religious entity terminated this arrangement and withdrew the investment as of May 28, 2024.

Tuition and Fee Revenue

The University recognizes revenue from student tuition and fees within the fiscal year in which educational services are provided. Institutional aid, in the form of scholarships and grants-in-aid, includes amounts funded by endowments and gifts, and reduces the amount of revenue recognized.

Revenue for tuition and fees for all of the summer terms are recognized as performance obligations are met. Because the summer academic terms span two reporting periods, a portion of the revenue for the summer terms is included in deferred revenue at June 30, 2024 and 2023. Deferred revenues for the summer terms are shown in Note A Deferred Revenues and Deposits.

The following details the gross and net amounts of tuition and fees for fiscal years ended June 30, 2024 and 2023 (in thousands):

	2024	2023
Tuition and fees	$ 360,579	$ 344,288
Less: institutional aid	(145,722)	(131,338)
Tuition and fees, net	$ 214,857	$ 212,950

Auxiliary Services Revenue

Auxiliary services exist to furnish goods or services to students, faculty, staff, or incidentally to the general public. Fees charged for auxiliary services are directly related to, although not necessarily equal to, the cost of the goods or services provided.

Auxiliary services revenue includes activities for student housing and dining facilities, parking services, and other miscellaneous activities. Institutional aid specifically for defraying the cost of room and board reduces the amount of revenue recognized.

Revenues for auxiliary services are recognized as performance obligations are met over the academic term. Because the summer terms span two reporting periods, a portion of the revenue for the summer terms are included in deferred revenue at June 30, 2024 and 2023. Deferred revenues for the summer terms are shown in Note A Deferred Revenues and Deposits.

The following details the gross and net amounts of auxiliary services revenue for fiscal years ended June 30, 2024 and 2023 (in thousands):

	2024	2023
Auxiliary enterprises	$ 48,920	$ 44,381
Less auxiliary institutional aid	(4,766)	(8,304)
Auxiliary enterprises, net	$ 44,154	$ 36,077

Gifts and Grants

The University reports gifts and grants of cash and other assets as net assets with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires (i.e., 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 statements of activities as net assets released from restrictions.

The University reports gifts of land, buildings, and equipment as net assets 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 or other assets that must be used to acquire long-lived assets are reported as net assets with donor restrictions. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the University reports expirations of donor restrictions when donated assets are placed in service.

The University receives sponsored project funding from various governmental, corporate, and private organizations, which are recorded as grants and contracts revenue. The funding may represent a reciprocal transaction in exchange for an equivalent benefit in return, or it may be a nonreciprocal transaction in which the resources provided are for the benefit of the University, the funding organization's mission, or the public at large. Contracts are generally without donor restrictions.

Revenues from exchange transactions are recognized as performance obligations are satisfied, which in some cases are as related costs are incurred.

Revenues from non-exchange transactions (contributions) may be subject to conditions, in the form of both a barrier to entitlement and a refund of amounts paid (or a release from obligation to make future payments). Revenues from conditional non-exchange transactions are recognized when the barrier is satisfied.

Investments and Investment Income

In accordance with guidance on accounting for certain investments held by not-for-profit organizations, investments are recorded at fair value. A summary of the inputs used in valuing the University's investments as of June 30, 2024 and 2023 is included in Note B.

Interest income, unrealized gains and losses on investments, and realized gains and losses from the sale of investments are accounted for in the statements of activities in the net asset classification that holds the investments, except for income and gains and losses derived from investments of endowment and funds functioning as endowment, which are accounted for in the net asset classification designated by the donor or by law.

Federal Student Loan Program

The University administers and contributes a portion of the total funds available for various student loan programs, including Perkins, Nursing, Health Profession, and Nursing Faculty Loans. The loan programs are financed primarily by the U.S. government. Loans are made to qualified students and are reported as loans receivable, net in the statements of financial position. Upon termination of the programs, the amounts representing net government advances (federal loan funds), which are reflected as a liability of approximately $6.6 million and $7.0 million at June 30, 2024 and 2023, respectively, will be returned to the government.

Fair Value

The estimated fair value of all financial instruments has been determined using available market information and appropriate valuation methodologies. However, considerable judgment is required to interpret market data in developing fair value estimates. Accordingly, the estimates included herein are not necessarily indicative of amounts the University could realize in current market exchange. The use of different market assumptions and/or estimation methodologies may have a material effect on estimated fair value amounts. All other financial instruments, other than investments as discussed above, are recorded at historical cost, which approximates fair value.

In determining fair value, the University uses various approaches, including Financial Accounting Standards Board ("FASB") Accounting Standards Codification 820, *Fair Value Measurements*, which establishes a hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available. Observable inputs are inputs that market participants would use in pricing an asset based on market data obtained from sources independent of the organization. Unobservable inputs reflect an organization's estimates about the assumptions market participants would use in pricing an asset and are developed based on the best information available in the circumstances. The hierarchy is broken down into three levels based on the observability of inputs as follows:

Level 1 - Valuations based on quoted market prices in active markets for identical assets that the organization has the ability to access. As valuations are based on quoted market prices that are readily available in an active market, valuations of these products do not entail a significant degree of judgment;

Level 2 - Valuations based on one or more quoted prices in markets that are not active or for which all significant inputs are observable, either directly or indirectly; and

Level 3 - Valuations based on inputs that are unobservable and significant to the overall fair value measurement.

The University also reports under the FASB update for *Investments in Certain Entities that Calculate Net Asset Value ("NAV") per Share (or its Equivalent)*, which permits, as a practical expedient, the University to measure the fair value of an investment that is within the scope of the update on the basis of the NAV per share of the investment or its equivalent determined as of the University's fiscal year end. Under this approach, certain attributes for the investment, such as restrictions and transaction prices from principal-to-principal or brokered transactions, are not considered in measuring the fair value of an investment.

The availability of observable inputs can vary from instrument to instrument and is affected by a wide variety of factors, including, for example, the liquidity of markets and other characteristics particular to the transaction. To the extent that a valuation is based on models or inputs that are less observable in the market, the determination of fair value requires more judgment.

The University uses prices and inputs that are current as of the measurement date, which are obtained through multiple third-party custodians from independent pricing services.

Guarantees and Commitments

In the ordinary course of business, the University enters into contracts with third parties pursuant to which the third parties provide services on behalf of the University. In many of the contracts, the University agrees to indemnify the third-party service provider under certain circumstances. The terms of the indemnity vary from contract to contract, and the amount of the indemnification liability, if any, cannot be determined. The University also has minimum purchase requirements related to certain utility contracts that have been met annually through June 30, 2024.

Pursuant to its bylaws, the University provides indemnification to directors, officers, and, in some cases, employees and agents against certain liabilities incurred as a result of their service on behalf of or at the request of the University and also advance on behalf of covered individual costs incurred in defending against certain claims, if any, subject to written undertakings by each such individual to repay all amounts so advanced if it is ultimately determined that the individual is not entitled to indemnification.

Insurance Liabilities

The University is self-insured through an agreement with third-party providers to provide medical coverage for all full-time University employees. A liability for estimated incurred but unreported claims has been recorded in accounts payable and accrued expenses at June 30, 2024 and 2023, based upon a third-party evaluation of claims and management's analysis of past claims history. The third-party evaluation of claims includes assumptions and methods that were reviewed by University management.

The University is also self-insured for certain other activities, principally workers' compensation. Liabilities have been established based on third-party estimates using the University's historical loss experience. The self-insurance accrual is subject to periodic adjustment by the University based on actual loss experience factors.

Nonoperating Activities

Nonoperating activities include gifts and pledges related to endowments and earnings on funds functioning as endowments, bequests, annuity and loan activity restricted in perpetuity, return on investments less amounts distributed, and net periodic benefit costs other than service costs. They also include items such as costs associated with separation agreements and gains on the defeasance of bonds.

Recently Adopted Accounting Guidance

In June 2016, the FASB issued Accounting Standards Update ("ASU") 2016-13, Financial Instruments — Credit Losses (Topic 326): *Measurement of Credit Losses on Financial Instruments*. The ASU amended guidance on the measurement of all expected credit losses for financial instruments, including trade receivables, based on historical experience, current conditions, and reasonable and supportable forecasts. This amendment was adopted in 2024 and did not have a material impact on the financial statements.

NOTE B - INVESTMENTS

A summary of the University's investments measured at fair value at June 30, 2024 and 2023 based on level within the fair value hierarchy, is as follows (in thousands):

	2024	2023
Level 1 - Quoted Prices in Active Markets		
Equity securities - all cap	$ 38,779	$ 36,434
Mutual funds	434,818	374,732
	473,597	411,166
Level 2 - Significant Observable Inputs		
Debt securities issued by U.S. Treasury and other U.S. agencies	26,625	21,386
Debt issued by foreign government	1	1
Corporate debt securities	59,452	34,663
	86,078	56,050
Level 3 - Significant Unobservable Inputs		
Trust - Residential real estate	6,160	4,530
Total investments measured at fair value	565,835	471,746
Investments measured at NAV	121,162	147,851
Total investments	$ 686,997	$ 619,597

Investments reflected in the statements of financial position as of June 30, 2024 and 2023 are summarized as follows (in thousands):

	2024	2023
Endowment and funds functioning as endowment	$ 533,818	$ 470,696
Long-term working capital	98,042	91,006
Mid-term working capital	44,171	41,943
Investments managed for others	-	5,020
Annuities	6,677	5,960
Deferred compensation and other	4,289	4,972
Total	$ 686,997	$ 619,597

As of June 30, 2024 and 2023, 51% and 55%, respectively, of the University's investments were invested in mutual funds managed by Vanguard.

Descriptions of the valuation techniques applied to the major categories of investments measured at fair value are outlined below.

The fair value of common, preferred, and foreign stocks and exchange-traded notes is valued using quoted market prices in active markets.

Mutual funds are open-ended Securities and Exchange Commission registered funds with daily quoted market prices. The mutual funds allow investors to sell their interests to the fund at the published daily quoted market prices, with no restrictions on redemptions.

Government securities, government agency securities, corporate fixed-income securities, and asset-backed mortgage securities, including residential mortgage-backed securities and commercial mortgage-backed securities, are valued based on multiple sources of information, which may include market data and/or quoted market prices from either markets that are not active or are for the same or similar assets in active markets.

Limited liability partnerships, hedge funds, private equity, etc., are partnerships created and administered by a general partner who invests either directly in a specified investment strategy or indirectly through other limited liability partnerships in so called “fund of funds.” The underlying investments of these funds can be actively traded securities in the case of certain hedge fund strategies or illiquid and privately held equity investment, as in the case of private equity investments. The partnership documents outline the terms and conditions by which the general partner administers the partnership and its investments. Each limited partner owns a specified share of the partnership. These partnerships cannot be marketed to the public and are restricted, by regulation, to qualified investors. The underlying investments of these partnerships include many different types of investments, including interest rate swaps, commercial paper, foreign currency, private equity, short-term interest in common stock, and convertible bonds. These investments are carried at fair value as of June 30, 2024 and 2023, based on estimates developed by the management of the investment entities investing in the funds. These valuations include assumptions and methods that are reviewed by University management. The valuation of the partnership interest typically is performed at least quarterly by the general partner through unaudited statements and validated through annual audited financial statements. In certain partnerships, the readily available data on market values allows for monthly valuation of the partnership interest. As such, the fair value of these partnerships is measured using the NAV as calculated by the custodian.

Residential real estate trusts are measured at the fair market value assigned by a certified residential appraiser. The property is tested annually for impairment.

The University believes that the reported amount of its investments is a reasonable estimate of fair value as of June 30, 2024 and 2023. As the estimated value is subject to uncertainty, the reported value may differ from the value that would have been used had a ready market existed.

There has been no significant change in valuation techniques of investments during the year.

Interest, dividends, and realized and unrealized gains, net, are included as a component of both operating and nonoperating items.

Investment income (loss) for the years ended June 30, 2024 and 2023, exclusive of earnings on idle receipts, escrow funds and other deposits with trustees, consisted of the following (in thousands):

	2024	2023
Interest and dividends	$ 10,193	$ 5,753
Realized gains on marketable securities, net	2,096	80,839
Unrealized gains (losses) on marketable securities, net	60,254	(37,815)
Total	$ 72,543	$ 48,777

The following table summarizes the investments valued at NAV by strategy type (in thousands):

	2024		2023				
Description	Number of Funds	Fair Value	Number of Funds	Fair Value	Unfunded Commitment at June 30, 2024	Redemption Terms	Redemption Notice Period
Hedge funds	6	$ 13,869	10	$ 54,318	$ -	Monthly or Quarterly	1-90 days
Private equity	28	107,293	23	93,533	62,891	See below	N/A
Total	34	$ 121,162	33	$ 147,851	$ 62,891		

Investments held by the University may be subject to restrictions related to the initial investment that limit the University's ability to redeem capital from such investments during a specified period of time subsequent to the University's investment of capital in such funds, typically known as a lock-up period. Capital available for redemption after the lock-up period has expired may also be subject to limits, which restrict the available redemption period, and require prior written notice, potentially limiting the University's ability to respond quickly to changes in market conditions. As of June 30, 2024, there are six funds with a market value of $11.8 million with lock-ups expiring in fiscal year 2024.

Private equity investments cannot be redeemed upon request. Instead, the nature of these investments is that distributions are received through the liquidation of the underlying assets of the fund. It is estimated that the underlying assets of these funds would be liquidated over approximately one to 12 years.

NOTE C - ENDOWMENT AND FUNDS FUNCTIONING AS ENDOWMENT

Endowment and funds functioning as endowment related activity (including amounts for pledges with donor restrictions) during the years ended June 30, 2024 and 2023, are as follows (in thousands):

	2024		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	$ 243,550	$ 250,520	$ 494,070
Investment return:			
Investment income	4,708	3,768	8,476
Net realized and unrealized gains	25,361	26,458	51,819
Total	30,069	30,226	60,295
Contributions	-	4,658	4,658
Appropriation of endowment assets for expenditure	(10,387)	(7,356)	(17,743)
Change in endowment net assets	19,682	27,528	47,210
Endowment net asset, end of year	$ 263,232	$ 278,048	$ 541,280

	2023		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	$ 235,903	$ 215,584	$ 451,487
Investment return:			
Investment income	2,876	1,816	4,692
Net realized and unrealized gains	18,889	16,703	35,592
Total	21,765	18,519	40,284
Contributions	-	24,976	24,976
Appropriation of endowment assets for expenditure	(15,358)	(8,559)	(23,917)
Additional authorized amounts	1,240	-	1,240
Change in endowment net assets	7,647	34,936	42,583
Endowment net asset, end of year	$ 243,550	$ 250,520	$ 494,070

The endowment and funds functioning as endowment net asset composition by type of fund at June 30, 2024 and 2023 is composed of the following (in thousands):

	2024		
	Without Donor Restrictions	With Donor Restrictions	Total
Scholarship	$ 48,875	$ 134,093	$ 182,968
Operational purposes	214,357	143,197	357,554
Total	$ 263,232	$ 277,290	$ 540,522

	2023		
	Without Donor Restrictions	With Donor Restrictions	Total
Scholarship	$ 45,148	$ 118,998	$ 164,146
Operational purposes	198,402	130,771	329,173
Total	$ 243,550	$ 249,769	$ 493,319

The University maintains a total return spending policy, which was 4.25% of the average fair market value of the previous 16 quarters ended December 31, 2022 and 2021, for the years ended June 30, 2024 and 2023, respectively. The University has adopted PA Trust Law Act 141, which requires a release of between 2% and 7%. Separating spending policy from investment policy permits asset allocation decisions to be made independently of the need for current income. The University's investment policy has a primary objective to achieve annualized total return, through appreciation and income, equal to or greater than the rate of inflation plus any spending and administrative expenses. This allows the University to maintain purchasing power of the investment pool. The assets are managed in a manner that will meet the primary investment objective, while attempting to limit volatility in the portfolio's market value, thereby limiting volatility in the year-to-year spending. The policy allows for a range of asset classes, including global equity and debt securities, real assets and alternative investments. The University includes its interest in perpetual trusts in endowment and funds functioning as endowment. Changes in the value of the endowment and funds functioning as endowment are included in the nonoperating section of the statements of activities along with the changes in mid and long-term working capital, value of annuities and loan funds restricted in perpetuity.

From time to time, the fair value of assets of individual donor-restricted endowment funds may fall below the level required to be maintained in perpetuity in accordance with the applicable donor gift document, creating an "underwater" endowment fund. For the fiscal year ending June 30, 2024, there were three endowment funds with initial gifts totaling $5.1 million, compared to market values totaling $5.0 million, for an underwater deficiency totaling $0.1 million. For the fiscal year ending June 30, 2023, there were 19 endowment funds with initial gifts totaling $8.1 million, compared to market values totaling $7.6 million, for an underwater deficiency totaling $0.5 million.

The University is one of 15 designated institutions of higher learning and other charitable organizations named as beneficiaries of The Dietrich Foundation (the "Foundation") created by William S. Dietrich II pursuant to an Amended and Restated Declaration of Trust dated August 23, 2011. The Foundation came into existence as a Pennsylvania charitable trust on October 6, 2011 and was granted exemption from Federal income tax under Section 501(c)(3) of the IRC, specifically as a Type I charitable supporting organization under Section 509(a)(3). The Foundation's primary mission is to provide ongoing and increasing financial support to a number of educational institutions, largely in the greater Pittsburgh area, including the University. The Foundation is governed by a board of nine trustees. Five of the trustees are Educational Institutions Trustees.

The Foundation is expected to make annual distributions that will be allocated among the pre-specified supporting organizations, which are divided into two primary groups: (a) six educational institutions, which collectively shall receive 90% of the annual distribution amount, and (b) nine other charitable organizations or component funds of such charitable organizations, which collectively shall receive 10% of the annual distribution amount. The University is included in the 90% group. As of June 30, 2024, the University's distribution share was 2.5%.

The distributions to the University have been recorded as contribution revenue with donor restrictions as received and held in an endowment fund restricted in perpetuity designated by Dietrich Foundation Endowment Fund. The endowed fund will be managed in accordance with the University's generally applicable investment and disbursement policies in effect for its other endowments restricted in perpetuity. Distributions made from the endowed fund will be used for the purpose authorized by the Foundation's trustees. Distributions of $1.1 million and $1.3 million were received in fiscal years 2024 and 2023, respectively.

As of June 30, 2024, the University's Board of Directors has designated pooled endowment funds in a separate escrow account in the amount of $44.7 million as a teach out reserve in accordance with College of Osteopathic Medicine accreditation requirements. Furthermore, the reserve must be held for one year after the first class of students graduates, anticipated for May 2028. The reserve could then be released May 2029.

NOTE D - FINANCIAL ASSETS AND LIQUIDITY RESOURCES

As of June 30, 2024 and 2023, financial assets and liquidity resources available within one year for general expenditure, such as operating expenses, scheduled principal payments on debt, and capital construction not financed with debt, were as follows (in thousands):

	2024
Cash and cash equivalents	$ 38,763
Accounts and pledges receivable, net	57,744
Investments	686,997
Total financial assets	783,504
Add: authorized spending amount without donor restrictions for the next 12 months	12,143
Less: investments in board-designated endowments and long-term working capital	(361,273)
Less: financial assets with contractual or donor-imposed restrictions	(337,269)
Less: accounts and pledges receivable collectible beyond one year	(16,580)
Less: investments and other financial assets held for others	(4,840)
Financial assets available to meet cash needs for general expenditures within one year	$ 75,685

	2023
Cash and cash equivalents	$ 45,118
Accounts and pledges receivable, net	69,197
Investments	619,596
Total financial assets	733,911
Add: authorized spending amount without donor restrictions for the next 12 months	11,715
Less: investments in board-designated endowments and long-term working capital	(334,555)
Less: financial assets with contractual or donor-imposed restrictions	(312,838)
Less: accounts and pledges receivable collectible beyond one year	(18,106)
Less: investments and other financial assets held for others	(9,517)
Financial assets available to meet cash needs for general expenditures within one year	$ 70,610

As part of the University's liquidity management, financial assets are structured to be available as general expenditures, liabilities, and other obligations come due. In addition, cash in excess of daily requirements is invested in short-term, cash-equivalent investments. To help manage unanticipated liquidity needs, the University has a committed line of credit, which could be drawn upon at any time. The line of credit expires September, 2025, and there are no outstanding draws on the facility. Additionally, the University has quasi-endowment and working capital investments of $361 million, including $44.7 million held as a teach out reserve in accordance with College of Osteopathic Medicine accreditation requirements. Although the University does not intend to spend from these investments other than the amounts authorized as part of its spending policy, amounts from these investments could be made available if necessary with Board of Directors approval. However, the quasi-endowment, donor-restricted endowment and working capital all contain investments with lock-up provisions that would reduce the total investments that could be made available within one year (see Note B for disclosure about investments).

NOTE E - RECEIVABLES

Accounts receivable at June 30, 2024 and 2023 consist of the following (in thousands):

	2024	2023
Student accounts receivable, net of allowance for credit losses of $2,223 and $2,062 in 2024 and 2023, respectively	$ 14,076	$ 8,439
Grants and contracts receivable	3,719	3,153
Other accounts receivable, net of allowance for credit losses of $1,820 and $1,850 in 2024 and 2023, respectively	21,853	23,157
Accounts receivable, net	$ 39,648	$ 34,749

After unsuccessful collection of past-due student accounts by two collections agencies for a 29-month period, the University will write the balance off.

Pledges receivable at June 30, 2024, and 2023 consist of the following (in thousands):

	2024	2023
Less than one year	$ 5,750	$ 6,671
One to five years	12,431	18,062
More than five years	4,604	42,040
Total pledges receivable	22,785	66,773
Less present value adjustment	(2,407)	(29,723)
Present value of pledges receivable	20,378	37,050
Less allowance for credit losses	(2,282)	(2,602)
Pledges receivable, net	$ 18,096	$ 34,448

Contributions receivable over more than one year are discounted to fair value using an appropriate discount rate ranging from 0.6% to 5.8% applicable to the year in which the pledge was received.

Fund-raising costs were $3.4 million and $2.6 million for the years ended June 30, 2024 and 2023, respectively.

Loans Receivable

The University makes uncollateralized loans to students based on financial need. Loans are funded through federal government loan programs or institutional resources. At June 30, 2024 and 2023, student loans represented 0.5% and 0.6% of total assets, respectively.

At June 30, 2024 and 2023, student loans consisted of the following (in thousands):

	2024	2023
Federal government programs	$ 6,001	$ 7,133
Institutional programs	576	481
	6,577	7,614
Less estimated expected credit loss:		
Beginning of year	(559)	(901)
Decrease	247	342
End of year	(312)	(559)
Loans receivable, net	$ 6,265	$ 7,055

The University participates in the following federal revolving loan programs: Perkins, Nursing, Health Profession, and the Nurse Faculty Loan Programs. The availability of funds for loans under these programs is dependent on reimbursements to the pool from repayments on outstanding loans. Outstanding loans canceled under the programs result in a reduction of the funds available for loans and a decrease in the liability to the government.

The past-due principal amounts under the student loan programs at June 30, 2024 and 2023 are as follows (in thousands):

	2024	2023
1 - 60 days past due	$ 175	$ 42
61 - 90 days past due	141	79
91+ days past due	757	545
Total past due	$ 1,073	$ 666

NOTE F - PROPERTY, PLANT AND EQUIPMENT

The University's investment in property, plant, and equipment at June 30, 2024 and 2023, consists of the following (in thousands):

	2024	2023
Land and land improvements	$ 48,946	$ 45,221
Building and building improvements	562,202	487,669
Furniture, equipment, software, and artwork	103,626	95,650
Construction in progress	6,883	43,597
	721,657	672,137
Less: accumulated depreciation	(385,204)	(364,758)
Property, plant and equipment, net	$ 336,453	$ 307,379

Depreciation expense was $22.6 million and $20.8 million for the years ended June 30, 2024 and 2023, respectively.

Substantially all property, plant and equipment are pledged under the University's debt agreements.

NOTE G - DEBT AND LEASE OBLIGATIONS

Long-term debt at June 30, 2024 and 2023, consists of the following (in thousands):

	Rate	2024	2023
University revenue and refunding bonds:			
2014 Series A Bonds	2.00 - 5.00	$ 11,905	$ 15,550
2016 Series Bonds	2.25 - 5.00	50,890	54,105
2018 Series Bonds	5.00	17,760	17,760
2019 Series A Bonds	4.00 - 5.00	18,690	18,690
2019 Series B Bonds	4.12	10,000	10,000
2020 Series A Bonds	4.00	8,945	8,945
2020 Series B Bonds	2.43 - 3.03	15,835	15,835
2021 Series A Bonds	4.00 - 5.00	42,250	42,250
2022 Series A Bonds	5.00	13,640	15,140
2024 Series Bonds	5.00	28,460	-
		218,375	198,275
Lease obligations		2,241	3,097
Debt and lease obligations, gross		220,616	201,372
Plus: net unaccreted bond premium		18,622	19,087
Less: deferred bond costs		(1,292)	(1,126)
Debt and lease obligations, net		$ 237,946	$ 219,333

Principal payments in future years are as follows (in thousands):

Year Ending June 30,	Debt	Finance Leases	Operating Leases	Total
2025	$ 8,775	$ 65	$ 710	$ 9,550
2026	9,220	65	481	9,766
2027	9,685	31	346	10,062
2028	10,150	13	318	10,481
2029	10,925	-	171	11,096
Thereafter	169,620	-	160	169,780
	218,375	174	2,186	220,735
Less: present value discount	-	(6)	(113)	(119)
Total	$ 218,375	$ 168	$ 2,073	$ 220,616

As of June 30, 2024, the University is a party to 20 operating leases and four finance leases as the lessee. The discount rate used for leases is the stated rate for the lease or the U.S. Treasury rate. Many of the University's leases provide for options to renew subsequent to the current term. The options to renew the leases were not considered when assessing the value of the right-of-use ("ROU") asset if the University was not reasonably certain that it would assert its option to renew the lease.

Quantitative information regarding the University's leases for the year ended June 30, 2024 and 2023 is as follows (in thousands):

	2024		2023	
	Finance Leases	Operating Leases	Finance Leases	Operating Leases
Lease cost	$ 66	$ 1,387	$ 53	$ 1,451
Other information:				
Cash paid for amounts included in the measurement of lease liabilities:				
Operating cash flows	4	1,434	3	1,467
Financing cash flows	61	-	49	-
ROU assets obtained in exchange for new lease liabilities	-	190	133	886
ROU assets disposed or adjusted modifying operating leases liabilities	-	383	-	(139)
Weighted-average remaining lease term (in years)	2.86	4.17	3.81	3.89
Weighted average discount rate	2.07%	2.67%	1.99%	2.08%

<u>University Revenue Bonds ("Series A of 2014")</u> - In December 2014, the Authority issued $39.2 million of revenue bonds to provide for a portion of (a) the advance refunding of the Authority's outstanding University Revenue Bonds Series A of 2005, (b) the advance refunding of the Authority's outstanding University Revenue Bonds Series B of 2005, (c) the advance refunding of the Authority's outstanding Revenue Bonds Series A of 2007, and (d) to provide for bond issuance costs.

These bonds mature annually in principal ranging from $1.0 million to $3.8 million beginning in fiscal 2015 and ending in fiscal 2033.

Approximately $0.3 million of costs related to the issuance of these bonds has been deferred and is being amortized over the life of the bonds. In addition, approximately $4.5 million of original issue premium is being amortized over the life of the bonds. All debt issuance costs are recorded in debt and lease obligations on the statements of financial position.

In connection with the issuance of these bonds, the University has agreed to certain covenants with which it must comply. The covenants provide that the University cannot incur additional long-term debt in any amount, unless (1) debt service requirements on all long-term debt during the fiscal year, plus the maximum annual debt service requirements on the proposed additional long-term debt is less than 10% of the University's unrestricted operating revenues during the previous fiscal year, and (2) the University's expendable resources are greater than 50% of all outstanding and proposed long-term debt; however, that such test shall not be required to be met if the additional long-term debt is being incurred to refund existing long-term debt and the maximum annual debt service requirements on the proposed long-term debt are less than or equal to the maximum annual debt service requirements on the existing long-term debt. In June 2019, the outstanding bonds were partially deceased in connection with the sale of the Tri Generation facility.

University Revenue Bonds ("Series of 2016") - In May 2016, the Authority issued $58.0 million of revenue bonds to provide for a portion of (a) the advance refunding of the Authority's outstanding University Revenue Bonds Series of 2008, (b) the advance refunding of the Authority's outstanding University Revenue Bonds Series A of 2011, and (c) to provide for bond issuance costs.

These bonds mature annually in principal ranging from $0.1 million to $7.8 million beginning in fiscal 2019 and ending in fiscal 2033.

Approximately $0.3 million of costs related to the issuance of these bonds has been deferred and is being amortized over the life of the bonds. In addition, approximately $9.8 million of original issue premium is being amortized over the life of the bonds. All debt issuance costs are recorded in debt and lease obligations on the statements of financial position.

These bonds carry substantially the same covenants as the Series of 2014 bonds. In June 2019, the outstanding bonds were partially deceased in connection with the sale of the Tri Generation Facility.

University Revenue Bonds ("Series of 2018") - In May 2018, the Authority issued $17.8 million of revenue bonds to provide for a portion of (a) upgrades and replacements to various mechanical systems, including HVAC, elevators, electrical switchgear, pneumatic controls, fan coil units, fire protection and sprinkler systems in the Koren Building, Fisher Hall, School of Law, College Hall, Richard King Mellon Hall of Science, Rockwell Hall, Libermann Hall, Gumberg Library, Administration Building and St. Ann Hall; (b) renovations to Rockwell Hall, Assumption Hall, St. Ann Hall, Richard King Mellon Hall of Science office and the Des Places Living Learning Centers; (c) roof replacements to Duquesne Union and Trinity Hall; (d) other miscellaneous capital expenditures on the main campus of the University; (e) funding capital interest; (f) funding of any necessary reserves; and (g) to provide for bond issuance costs.

These bonds mature annually in principal ranging from $3.6 million to $10.0 million beginning in fiscal 2032 and ending in fiscal 2034.

Approximately $0.2 million of costs related to the issuance of these bonds has been deferred and is being amortized over the life of the bonds. In addition, approximately $2.5 million of original issue premium is being amortized over the life of the bonds. All debt issuance costs are recorded in debt and lease obligations on the statements of financial position.

In connection with the issuance of these bonds, the University has agreed to certain covenants with which it must comply. The covenants provide that the University cannot incur additional long-term debt in any amount, unless (1) debt service requirements on all long-term debt during the fiscal year, plus the maximum annual debt service requirements on the proposed additional long-term debt, is less than 12% of the University's unrestricted operating revenues during the previous fiscal year, and (2) the University's expendable resources are greater than 50% of all outstanding and proposed long-term debt; however, that such test shall not be required to be met if the additional long-term debt is being incurred to refund existing long-term debt.

University Revenue Bonds ("Series A of 2019") - In March 2019, the Authority issued $18.7 million of revenue bonds to finance all or a portion of the costs of (a) financing capital expenditures related to the renovation of the A.J. Palumbo Center, (b) financing other miscellaneous capital expenditures on the main campus of the University, and (c) paying the costs of issuance of the Bonds.

These bonds mature annually in principal ranging from $4.4 million to $5.0 million beginning in fiscal 2036 and ending in fiscal 2039.

Approximately $0.1 million of costs related to the issuance of these bonds has been deferred and is being amortized over the life of the bonds. In addition, approximately $2.6 million of original issue premium is being amortized over the life of the bonds. All debt issuance costs are recorded in debt and lease obligations on the statements of financial position.

These bonds carry substantially the same covenants as the Series of 2018 bonds.

University Revenue Bonds ("Series B of 2019") - In March 2019, the Authority issued $10.0 million of taxable revenue bonds. The bonds were issued for the same purpose as the Series A of 2019 bonds.

These bonds mature in principal $10.0 million in fiscal 2035.

Approximately $0.1 million of costs related to the issuance of these bonds has been deferred and is being amortized over the life of the bonds. All debt issuance costs are recorded in debt and lease obligations on the statements of financial position.

These bonds carry substantially the same covenants as the Series of 2018 bonds.

University Revenue Bonds ("Series A of 2020") - In August 2020, the Authority issued $8.9 million of revenue bonds to finance all or a portion of the costs of (a) the acquisition of the Life'sWork property, located at 1323 Forbes Avenue, Pittsburgh, PA 15219, which property will be used to construct the University's College of Medicine facility, and demolition of the existing buildings and structures on the property, (b) other miscellaneous capital expenditures on the main campus of the University, including capital expenditures relating to the construction of the College of Medicine, and (c) issuance of the 2020A Bonds.

These bonds mature annually in principal ranging from $1.8 million to $7.1 million beginning in fiscal 2039 and ending in fiscal 2040.

Approximately $0.1 million of costs related to the issuance of these bonds has been deferred and is being amortized over the life of the bonds. In addition, approximately $1.4 million of original issue premium is being amortized over the life of the bonds. All debt issuance costs are recorded in debt and lease obligations on the statements of financial position.

These bonds carry substantially the same covenants as the Series of 2018 bonds.

University Revenue Bonds ("Series B of 2020") - In August 2020, the Authority issued $15.8 million of taxable revenue bonds to finance all or a portion of the costs of (a) working capital and other miscellaneous costs which the Authority is authorized to finance under the Act, (b) the refunding of a portion of the outstanding Allegheny County Higher Education Building Authority University Revenue Bonds, Series A of 2013 (Duquesne University), and (c) issuance of the 2020B Bonds.

These bonds mature annually in principal ranging from $1.1 million to $10.0 million beginning in fiscal 2029 and ending in fiscal 2038.

Approximately $0.1 million of costs related to the issuance of these bonds has been deferred and is being amortized over the life of the bonds. All debt issuance costs are recorded in debt and lease obligations on the statements of financial position.

These bonds carry substantially the same covenants as the Series of 2018 bonds.

University Revenue Bonds ("Series A of 2021") - In December 2021, the Authority issued $47.9 million of revenue bonds to finance all or a portion of the costs of (a) construction; equipping and furnishing of the University's College of Medicine facility, related capital expenditures to such facility and other University facilities, and other miscellaneous capital expenditures, (b) the refunding of all of the outstanding Allegheny County Higher Education Building Authority University revenue Bonds, Series A of 2011 (Duquesne University), and (c) paying the costs of issuance of the Bonds.

The bonds mature annually in principal ranging from $0.9 million to $14.0 million beginning in fiscal 2022 and ending in fiscal 2041.

Approximately $0.3 million of costs related to the issuance of these bonds has been deferred and is being amortized over the life of the bonds. In addition, approximately $8.4 million of original issue premium is being amortized over the life of the bonds. All debt issuance costs are recorded in debt and lease obligations on the statements of financial position.

University Revenue Bonds ("Series A of 2022") - In December 2022, the Authority issued $15.1 million of revenue bonds to provide for all or a portion of (a) the refunding of all of the outstanding Allegheny County Higher Education Building Authority University Revenue Bonds, Series A of 2013 (Duquesne University) and (b) paying the related financing costs.

The bonds mature annually in principal ranging from $1.0 million to $1.8 million beginning in fiscal 2024 and ending in fiscal 2034.

Approximately $0.1 million of costs related to the issuance of these bonds has been deferred and is being amortized over the life of the bonds. In addition, approximately $2.6 million of original issue premium is being amortized over the life of the bonds. All debt issuance costs are recorded in debt and lease obligations on the statements of financial position.

University Revenue Bonds ("Series of 2024") - In January 2024, the Authority issued $28.5 million of revenue bonds to finance all or a portion of the costs of (a) various capital expenditures relating to University facilities from the University's capital budgets and (b) paying the related financing costs.

The bonds mature annually in principal ranging from $13.9 million to $14.6 million beginning in fiscal 2024 and ending in fiscal 2043.

Approximately $0.3 million of costs related to the issuance of these bonds has been deferred and is being amortized over the life of the bonds. In addition, approximately $1.9 million of original issue premium is being amortized over the life of the bonds. All debt issuance costs are recorded in debt and lease obligations on the statements of financial position.

The University was in compliance with all debt covenants as of June 30, 2024.

NOTE H - FUNCTIONAL CLASSIFICATION OF EXPENSES

Expenses by functional and natural classification for the fiscal years ended June 30, 2024 and 2023, are shown below (in thousands):

2024	Instructional	Institutional Support	Auxiliary Enterprises	Academic Support	Student Services	Public Service	Research	Subtotal	Allocated Expenses	Total
Salaries	$ 70,966	$ 22,750	$ 12,161	$ 19,558	$ 7,979	$ 1,503	$ 3,568	$ 138,485	$ 12,015	$ 150,500
Benefits	19,728	7,224	4,871	5,681	2,319	413	764	41,000	1,035	42,035
Supplies, services, and other	15,815	16,886	23,277	8,973	7,097	882	4,064	76,994	15,441	92,435
Utilities	-	-	-	-	-	-	-	-	6,983	6,983
Depreciation	-	-	-	-	-	-	-	-	23,105	23,105
Interest expense	-	-	-	-	-	-	-	-	6,644	6,644
Subtotal	106,509	46,860	40,309	34,212	17,395	2,798	8,396	256,479	65,223	321,702
Allocated costs	27,086	11,917	10,250	8,700	4,424	711	2,135	65,223	(65,223)	-
Total operating expenses	$ 133,595	$ 58,777	$ 50,559	$ 42,912	$ 21,819	$ 3,509	$ 10,531	$ 321,702	$ -	$ 321,702

2023	Instructional	Institutional Support	Auxiliary Enterprises	Academic Support	Student Services	Public Service	Research	Subtotal	Allocated Expenses	Total
Salaries	$ 65,756	$ 21,190	$ 10,914	$ 17,778	$ 7,599	$ 1,411	$ 3,571	$ 128,219	$ 10,860	$ 139,079
Benefits	18,190	6,623	4,514	5,169	2,234	394	773	37,897	1,025	38,922
Supplies, services, and other	14,519	16,166	20,885	9,252	6,263	870	4,018	71,973	15,145	87,118
Utilities	-	-	-	-	-	-	-	-	5,904	5,904
Depreciation	-	-	-	-	-	-	-	-	21,162	21,162
Interest expense	-	-	-	-	-	-	-	-	6,225	6,225
Subtotal	98,465	43,979	36,313	32,199	16,096	2,675	8,362	238,089	60,321	298,410
Allocated costs	24,947	11,142	9,200	8,158	4,078	678	2,118	60,321	(60,321)	-
Total operating expenses	$ 123,412	$ 55,121	$ 45,513	$ 40,357	$ 20,174	$ 3,353	$ 10,480	$ 298,410	$ -	$ 298,410

Certain costs such as depreciation expense, utilities, interest expense and other operating costs have been allocated among the functional areas. These costs are primarily allocated based on direct costs.

NOTE I - RETIREMENT PLANS AND OTHER POSTRETIREMENT BENEFIT OBLIGATION

The University participates in single-employer contributory retirement plans, which provide for the purchase of annuities and various mutual funds for academic, administrative, salaried, and other hourly employees. The employee is responsible for a 5% pretax contribution, while the University contributes up to 8% on behalf of the employee. The University annually funds the retirement costs under the plans, which amounted to $5.6 million and $5.2 million for the years ended June 30, 2024 and 2023, respectively.

The University provides certain health care benefits to certain retired employees. These postretirement benefits are unfunded and generally are based on employees' years of service and compensation levels. The University is required to make an accrual of the expected costs of these benefits over the period in which the employees render the service.

Net periodic cost (benefit) for the years ended June 30, 2024 and 2023 include the following components (in thousands):

	2024	2023
Interest cost for fiscal year	$ 229	$ 195
Census and claims gain during fiscal year	(77)	(55)
Gain due to assumption changes	(244)	(244)
Change in liability due to plan experience	319	515
Net periodic cost	$ 227	$ 411
Actual postretirement benefit payments (funded on a pay-as-you-go basis)	$ 340	$ 338

Using a measurement date of June 30, the following assumptions at June 30, 2024 and 2023, were used to determine the periodic cost (benefit):

	2024	2023
Discount rate	5.35%	5.15%
Healthcare trend rate (post-65)	6.50%	6.50%
Long-term trend rate	4.50%	4.50%
Terminal trend year	2033	2032

A one-percentage-point increase in the assumed medical cost trend rates for each future year increases annual postretirement benefit expense by $1,800 and the accumulated postretirement benefit obligation by $36,400. A one-percentage-point decrease in the assumed medical cost trend rates for each future year decreases annual postretirement benefit expense by $1,600 and the accumulated postretirement benefit obligation by $31,900.

For the years ended June 30, 2024 and 2023, the following is a reconciliation of beginning and ending balances of the benefit obligation (in thousands):

	2024	2023
Accumulated postretirement benefit obligation, beginning of year	$ 4,667	$ 4,594
Interest cost for fiscal year	229	195
Benefit payments for fiscal year	(341)	(338)
Expected accumulated postretirement benefit obligation, end of year	4,555	4,451
Census and claims gain during fiscal year	(77)	(55)
Gain due to assumption changes	(244)	(244)
Change in liability due to plan experience	319	515
Actual accumulated postretirement benefit obligation, end of year	$ 4,553	$ 4,667

Using a measurement date of June 30, the following assumptions at June 30, 2024 and 2023, were used to determine the end-of-year benefit obligation:

	2024	2023
Discount rate	5.35%	5.15%
Healthcare trend rate (post-65)	6.50%	6.50%
Long-term trend rate	4.50%	4.50%
Terminal trend year	2033	2032

Expected benefits to be paid in future years are as follows (in thousands):

Year Ending June 30,	Amount
2025	$ 432
2026	467
2027	459
2028	450
2029	439
2030 - 2034	1901
Total	$ 4,148

NOTE J - NET ASSETS WITHOUT DONOR RESTRICTIONS

Net assets without donor restrictions at June 30, 2024 and 2023, consist of the following (in thousands):

	2024	2023
Board-designated funds (quasi-endowment)	$ 263,232	$ 243,550
Undesignated funds	240,888	224,671
Total net assets without donor restrictions	$ 504,120	$ 468,221

NOTE K - NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions at June 30, 2024 and 2023, consist of funds subject to purpose or time restriction and funds restricted in perpetuity.

Funds subject to donor restrictions consist of the following (in thousands):

	2024	2023
Funds subject to purpose or time restriction:		
Endowment gains	$ 94,183	$ 74,748
Term endowments (including pledges)	19,924	19,006
Restricted gifts and pledges:		
Operational purposes	30,786	28,739
Capital projects	548	7,302
Scholarships	5,091	5,170
Total restricted gifts and pledges	36,425	41,211
Restricted grants and contracts:		
Private	6,170	5,756
Local	46	3
Total net assets subject to purpose or time restriction	$ 156,748	$ 140,724
Funds restricted in perpetuity:		
Endowment and funds functioning as endowment	$ 158,486	$ 147,115
Pledges	4,697	8,899
	163,183	156,014
Annuity investments	758	751
	163,941	156,765
Loan funds	1,274	1,231
Total net assets restricted in perpetuity	$ 165,215	$ 157,996
Total net assets with donor restrictions	$ 321,963	$ 298,720

NOTE L - CONTINGENCIES

The University is a defendant in certain legal proceedings arising out of the normal conduct of its business. In the opinion of management, based upon discussion with counsel, the ultimate outcome of these matters will not have a material adverse effect on the financial position or activities of the University.

Under the terms of federal grants, periodic audits are required and certain costs may be questioned as not being appropriate expenditures under the terms of the grants. Such audits could lead to reimbursement to the grantor agencies. The University's management believes disallowances, if any, will not have a material effect on the University's financial position.

NOTE M - RELATED PARTY TRANSACTIONS

In the ordinary course of business, there are occasional contributions or pledges to the University made my members of the Board of Trustees, officers and/or key employees. There were no other material related party transactions in fiscal year 2024 or 2023, respectively.

NOTE N - SUBSEQUENT EVENTS

The University has evaluated subsequent events through October 11, 2024, the date the financial statements were issued.