

High Point University



Consolidated Financial Statements Years Ended May 31, 2024 and 2023



High Point University

Consolidated Financial Statements
Years Ended May 31, 2024 and 2023

High Point University

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HIGH POINT UNIVERSITY

We are thrilled to share an exciting financial overview of High Point University with you, highlighting key achievements and developments that continue to propel our institution to new heights.

It's a momentous year for High Point University as we are preparing to welcome the largest number of students in our history with a total enrollment of 6,335. Among this record-breaking enrollment, we are excited to welcome approximately 1,600 new students to campus.

High Point University continues to advance its \$400 million campus expansion, featuring cutting-edge facilities and academic programs. Throughout the summer, construction progressed on two state-of-the-art buildings for the Kahn School of Law and the Workman School of Dental Medicine, both of which will be 77,500 square feet. The Kahn School of Law will be distinguished by its 13,000-square-foot law library and a 120-seat courtroom, reflecting our unwavering commitment to excellence in legal education. The Kahn School of Law will welcome its inaugural class of 70 students this fall.

The Workman School of Dental Medicine will feature a fully functional dental office, state-of-the-art simulation labs, a student lounge, and seven learning spaces. This school will welcome its inaugural class of 60 students this fall and will position High Point University as the sole private dental school in North Carolina. A distinctive feature of our dental education approach is HPU Health, LLC—a network of dental practices throughout North Carolina, providing invaluable real-world learning opportunities for our students and exceptional service to our community.

High Point University's financial outlook remains on a positive upward trajectory. The university's net assets have grown to an impressive \$1.05 billion, reflecting a remarkable 11.8% increase year over year. Additionally, the university continues to demonstrate prudent financial management, effectively reducing total debt by 9.3%, to approximately \$91 million, and a commitment of no new debt in the foreseeable future.

In conclusion, High Point University's financial outlook is not only robust but also reflective of our commitment to excellence, growth, and the holistic development of our students. As we welcome a historic number of students, we eagerly anticipate another year of academic achievements, campus vibrancy, and impactful contributions to our local community.

Nido Qubein
President

Michael Peeler
Vice President for Financial Affairs



Independent Auditor's Report

To the Board of Trustees
High Point University
High Point, North Carolina

Opinion

We have audited the accompanying consolidated financial statements of High Point University (the "University"), (a nonprofit organization) and its subsidiaries, which comprise the consolidated statements of financial position as of May 31, 2024 and 2023, and the related consolidated statements of activities and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the University as of May 31, 2024 and 2023, and the results of its activities and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the 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 consolidated financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of 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 consolidated 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.

Other Information Included in the University's Annual Report

Management is responsible for the other information included in the University's annual report. The other information comprises management's 2024 Financial Overview but it does not include the consolidated financial statements and our auditor's report thereon. Our opinion on the consolidated financial statements does not cover the other information, and we do not express an opinion or any form of assurance on it.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the consolidated financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.



High Point, North Carolina
September 5, 2024

High Point University

Consolidated Statements of Financial Position

(Dollars in thousands)

May 31,	2024	2023
Assets		
Cash and cash equivalents	\$ 97,227	\$ 70,780
Investments	174,542	146,862
Receivables:		
Student, net	1,173	1,263
Pledges, net	39,872	34,358
Notes	8,189	8,191
Other	15,216	14,188
Prepaid expenses	2,351	2,540
Operating lease right-of-use assets, net	6,871	1,045
Land, buildings, and equipment, net	881,707	839,754
Cash surrender value of life insurance	5,764	6,074
Goodwill, net	1,700	897
Other assets	3,174	2,770
Total assets	\$ 1,237,786	\$ 1,128,722
Liabilities and Net Assets		
Liabilities:		
Accounts payable and accrued expenses	\$ 22,704	\$ 38,127
Portion of long-term debt due within one year	9,641	9,364
Portion of finance lease liabilities due within one year	801	789
Portion of operating lease liabilities due within one year	681	129
Deferred income and student deposits	62,987	45,452
Deposits held in custody for others	1,447	1,472
Long-term portion of long-term debt	81,213	90,853
Long-term portion of finance lease liabilities	14	815
Long-term portion of operating lease liabilities	6,275	926
Federal and state student loan funding	-	37
Total liabilities	185,763	187,964
Commitments and contingencies		
Net Assets:		
Without donor restrictions	850,964	765,863
With donor restrictions	201,059	174,895
Total net assets	1,052,023	940,758
Total liabilities and net assets	\$ 1,237,786	\$ 1,128,722

See accompanying notes to consolidated financial statements.

High Point University

Consolidated Statement of Activities

(Dollars in thousands)

Year ended May 31, 2024	Without Donor Restrictions	With Donor Restrictions	Total
Operating Revenues			
Tuition and fees, net	\$ 178,830	\$ -	\$ 178,830
Contributions	7,156	-	7,156
Federal, state, and private grants	10,251	-	10,251
Auxiliary enterprises, net:			
Cafeteria	47,308	-	47,308
Residence halls	63,073	-	63,073
Other	2,167	-	2,167
Total auxiliary enterprises	112,548	-	112,548
Rental income	1,351	-	1,351
Investment income used in operations	4,299	-	4,299
Other revenues	1,111	-	1,111
Net assets released from restrictions	11,036	(11,036)	-
Total operating revenues	326,582	(11,036)	315,546
Operating Expenses			
Instruction	71,464	-	71,464
Research	864	-	864
Operating and maintenance of facilities	44,668	-	44,668
Student services	44,547	-	44,547
Institutional support	28,782	-	28,782
Academic support	10,798	-	10,798
Total education and general	201,123	-	201,123
Auxiliary enterprises	72,885	-	72,885
Interest	2,683	-	2,683
Rental expenses	3,754	-	3,754
Total operating expenses	280,445	-	280,445
Change in net assets from operations	46,137	(11,036)	35,101
Nonoperating activities			
Interest and dividends, net of investment fees	698	2,091	2,789
Realized and unrealized gains, net	5,761	13,416	19,177
Nonoperating contributions	709	64,459	65,168
Contributions of nonfinancial assets	193	-	193
Change in value of interest swap rates	349	-	349
Loss on sale of land, buildings, and equipment	(132)	-	(132)
Disposal of CIP	(808)	-	(808)
Other, net	(9,650)	3,279	(6,371)
HPU Health, net	(4,201)	-	(4,201)
Net assets released from restrictions	46,045	(46,045)	-
Change in net assets from nonoperating activities	38,964	37,200	76,164
Change in net assets	85,101	26,164	111,265
Net assets - beginning of year	765,863	174,895	940,758
Net assets - end of year	\$ 850,964	\$ 201,059	\$ 1,052,023

See accompanying notes to consolidated financial statements.

High Point University

Consolidated Statement of Activities

(Dollars in thousands)

<i>Year ended May 31, 2023</i>	Without Donor Restrictions	With Donor Restrictions	Total
Operating Revenues			
Tuition and fees, net	\$ 169,471	\$ -	\$ 169,471
Contributions	7,953	-	7,953
Federal, state, and private grants	6,579	-	6,579
Auxiliary enterprises, net:			
Cafeteria	39,587	-	39,587
Residence halls	59,398	-	59,398
Other	1,960	-	1,960
Total auxiliary enterprises	100,945	-	100,945
Rental income	1,397	-	1,397
Investment income used in operations	2,968	-	2,968
Other revenues	854	-	854
Net assets released from restrictions	10,585	(10,585)	-
Total operating revenues	300,752	(10,585)	290,167
Operating Expenses			
Instruction	62,788	-	62,788
Research	955	-	955
Operating and maintenance of facilities	40,430	-	40,430
Student services	41,959	-	41,959
Institutional support	26,220	-	26,220
Academic support	9,787	-	9,787
Total education and general	182,139	-	182,139
Auxiliary enterprises	67,782	-	67,782
Interest	2,951	-	2,951
Rental expenses	3,792	-	3,792
Total operating expenses	256,664	-	256,664
Change in net assets from operations	44,088	(10,585)	33,503
Nonoperating activities			
Interest and dividends, net of investment fees	419	1,805	2,224
Realized and unrealized losses, net	(921)	(3,985)	(4,906)
Nonoperating contributions	8,760	29,389	38,149
Contributions of nonfinancial assets	186	-	186
Gain on extinguishment of NMTC, net	2,452	-	2,452
Change in value of interest swap rates	902	-	902
Gain on sale of land, buildings, and equipment	40	-	40
Gain on sale of assets held for sale	886	-	886
Other, net	(13,387)	3,409	(9,978)
HPU Health, net	(1,163)	-	(1,163)
Net assets released from restrictions	48,645	(48,645)	-
Change in net assets from nonoperating activities	46,819	(18,027)	28,792
Change in net assets	90,907	(28,612)	62,295
Net assets - beginning of year	674,956	203,507	878,463
Net assets - end of year	\$ 765,863	\$ 174,895	\$ 940,758

See accompanying notes to consolidated financial statements.

High Point University

Consolidated Statements of Cash Flows

(Dollars in thousands)

Year ended May 31,	2024	2023
Cash flows from operating activities		
Change in net assets	\$ 111,265	\$ 62,295
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	38,000	37,819
Amortization of goodwill	150	72
Amortization of bond issuance costs	64	68
Amortization of original issue premium	(954)	(1,003)
Gain on extinguishment of NMTC, net	-	(2,452)
Loss (gain) on sale of land, buildings, and equipment	132	(40)
Disposal of CIP	808	-
Gain on sale of assets held for sale	-	(886)
Contributions of nonfinancial assets	(193)	(186)
Provision for credit losses	217	397
Realized and unrealized (gains) losses, net	(19,177)	2,682
Provision for (distribution of) deferred compensation, net	73	(1,327)
Change in value of interest rate swaps	(349)	902
Proceeds from contributions restricted for investment in permanently restricted net assets	(8,557)	(7,982)
Changes in operating assets and liabilities:		
Receivables	(978)	(2,386)
Pledges	(5,690)	32,219
Prepaid expenses and other assets	484	(2,868)
Operating lease right-of-use assets, net	111	94
Accounts payable and accrued expenses	(15,411)	11,554
Deferred income and student deposits	17,868	7,943
Deposits held in custody for others	(25)	267
Operating lease liabilities	(36)	(84)
Total adjustments	6,537	74,803
Net cash provided by operating activities	117,802	137,098
Cash flows from investing activities		
Proceeds from contributions restricted for investment in permanently restricted assets	8,557	7,982
Acquisitions of dental practices	(985)	(1,422)
Purchase of investments, net of sales	(8,952)	(11,764)
Proceeds from sale of land, buildings, and equipment	31	50
Proceeds from sale of assets held for sale	-	1,903
Purchase of land, buildings, and equipment	(80,699)	(113,865)
Payments of note receivable	2	2
Net cash used in investing activities	(82,046)	(117,114)

See accompanying notes to consolidated financial statements.

High Point University

Consolidated Statements of Cash Flows (Concluded)

(Dollars in thousands)

<i>Year ended May 31,</i>	2024	2023
Cash flows from financing activities		
Payments of long-term debt	(8,473)	(8,322)
Payments of finance lease liabilities	(789)	(769)
Change in federal and state student loan funding	(37)	(20)
Change in annuities payable	(10)	(9)
Net cash used in financing activities	(9,309)	(9,120)
Net change in cash and cash equivalents	26,447	10,864
Cash and cash equivalents, beginning of year	70,780	59,916
Cash and cash equivalents, end of year	\$ 97,227	\$ 70,780

Supplemental disclosures for cash flows:

The University paid approximately \$2,707 and \$2,940 in interest in 2024 and 2023.

See accompanying notes to consolidated financial statements.

High Point University

Notes to Consolidated Financial Statements

(Dollars in thousands)

1. Summary of Significant Accounting Policies

Description of University and Principles of Consolidation

High Point University (the "University"), based in High Point, North Carolina, was founded in 1924. It is a private liberal arts university, affiliated with the United Methodist Church, offering undergraduate and graduate degrees to approximately 6,100 students. The consolidated financial statements also include the accounts of HPU Health, LLC ("HPU Health") which operates dental clinics throughout North Carolina, as well as several other limited liability companies (the "LLCs"), which are wholly owned subsidiaries and hold various pieces of real property. All significant inter-entity transactions have been eliminated.

Basis of Presentation

The accompanying consolidated financial statements, which are presented on the accrual basis of accounting, have been prepared to focus on the University as a whole and to present balances and transactions according to the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes therein are classified 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, as well as those that may be maintained permanently by the University. Generally, the donors of these assets permit the University to use all of or part of the income earned on related investments for general or specific purposes.

Revenues are reported as increases in net assets without donor restrictions unless use of the related assets is limited by donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions. Gains, losses, and income on investments and other assets or liabilities are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulation or by law. Expirations of net assets with donor restrictions (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as net assets released from restrictions between the applicable classes of net assets.

Reclassifications

Certain prior year balances have been reclassified to conform to current year presentation. These reclassifications had no effect on the change in net assets or total net assets as previously reported.

Operations

Operating revenues consist of items attributable to the University's graduate and undergraduate education programs. Contributions to the University's annual appeal are reported as operating revenue without donor restrictions. All other contributions are reported as nonoperating revenue in the appropriate net asset category. To the extent gifts, investment income, and gains are used for operations, they are classified as contributions and investment income used in operations on the consolidated statements of activities.

Other income, consisting of investment earnings on funds held by bond trustees and other items not related to the University's operations, are reported as nonoperating revenue. Expenses associated with the operation and maintenance of the University's facilities, including the applicable portion of depreciation expense, are separately stated on the consolidated statements of activities.

High Point University

Notes to Consolidated Financial Statements

(Dollars in thousands)

1. Summary of Significant Accounting Policies (Continued)

Operations (Concluded)

Auxiliary enterprises include a variety of services that enhance the quality of student life on campus. Revenues are displayed in three sections, including fees for housing, dining services, and other revenues. Other auxiliary service enterprise revenues include the bookstore and intercollegiate athletics. Expenses associated with auxiliary enterprise activities are reported as a single total and include the applicable portion of depreciation. This total does not include expenses for operation and maintenance of University facilities.

Revenue Recognition

Substantially all revenues from contracts are recognized over time.

Revenue is recognized when control of the promised goods or services is transferred to students in an amount that reflects the consideration the University expects to be entitled to in exchange for those goods or services as follows:

Tuition and Fees

The majority of revenue is derived from tuition and fees, which is recognized on a straight-line basis over the academic term as instruction is delivered. Books and other educational product revenue is recognized when the students receive the tangible items or students receive access to electronic materials. The University reports the revenue on a net basis because the performance obligation is to facilitate a transaction between the student and the University. The performance obligation is met over time as instruction is delivered on a straight-line basis using the number of days in the academic term. Undergraduate academic term refers to one of the four following academic periods: spring, fall, summer 1 and summer 2. Graduate academic term refers to various periods depending on the program. Students who do not complete the academic term and are eligible for a refund of tuition, fees, or auxiliary revenues, receive those amounts within the allowable timetable as defined in the student handbook or according to Federal Title IV funding requirements. These refunds generally occur in the same academic term. The following table provides the components of tuition and fees:

<i>Year ended May 31,</i>	2024	2023
Tuition and fees	\$ 274,011	\$ 251,361
Funded aid	(11,036)	(10,585)
Unfunded aid	(84,145)	(71,305)
Tuition and fees, net	\$ 178,830	\$ 169,471

Contributions

Contributions, including unconditional promises to give, are recognized as revenues in the period received. Contributions subject to donor-imposed stipulations that are met in the same reporting period, are reported as revenues without donor restrictions. Unconditional promises to give that are scheduled to be received after the consolidated statements of financial position date are shown as increases in net assets with donor restrictions and are reclassified to net assets without donor restrictions when the purposes or time restrictions are met.

Unconditional promises to give, subject to donor-imposed stipulations that the corpus be maintained permanently, are recognized as increases in net assets with donor restrictions. Conditional promises to give are not recognized until they become unconditional, that is when the conditions on which they depend are substantially met. Contributions of assets other than cash are recorded at their estimated fair value. Contributions to be received after one year are discounted at the appropriate rate commensurate with the risks involved. Amortization of the discount is recorded as additional contribution revenue in accordance with the donor-imposed restrictions, if any, on the contributions.

High Point University

Notes to Consolidated Financial Statements

(Dollars in thousands)

1. Summary of Significant Accounting Policies (Continued)

Revenue Recognition (Continued)

Contributions (Concluded)

The University records an allowance for uncollectible pledges receivable based on management's expectations regarding outstanding promises to give and past collection experience. The methodology for calculating the allowance for uncollectible pledges receivable is based on management's review of individually significant outstanding pledges, analysis of the aging of payment schedules for all outstanding pledges, as well as a five-year lookback of actual write-offs and other factors, including current economic conditions. In contrast to unconditional promises, conditional promises are not recorded until donor conditions are met.

The University reports contributions of land, buildings, or equipment as nonoperating support without donor restrictions unless the donor places restrictions on their use. Contributions of cash or other assets that must be used to acquire long-lived assets are reported as nonoperating support without donor restrictions, provided the long-lived assets are placed in service in the same reporting period; otherwise, the contributions are reported as support with donor restrictions until the assets are acquired and placed into service.

Grants for research and other sponsored programs from federal, state, and private foundations are generally subject to restrictions and conditions that must be met before the University is entitled to funding and the University receives most of its grant revenue on a cost reimbursable basis after the restrictions have been met. Additionally, advances from granting agencies are generally considered refundable in the unlikely event specified services are not performed and recorded to deferred revenue until such time that the specified services have been performed allowing for revenue recognition. Revenue from grants is recognized based on the performance objectives in the grant agreement as benchmark objectives of the grant agreement have been completed.

Auxiliary

Auxiliary revenue consists of cafeteria, residence halls, and other related revenue items. The University reports the revenue on a net basis with the performance obligation being a transaction between the student and the University. The performance obligation is met over time as these services are rendered on a straight-line basis using the number of days in the academic term.

Deferred Income and Student Deposits

Revenues are recognized when control of the promised goods or services is transferred to students in an amount that reflects the consideration the University expects to be entitled to receive in exchange for those goods and services.

Arrangements with students may have multiple performance obligations. For such arrangements, the University allocates net tuition revenue to each performance obligation based on its relative standalone selling price. The University generally determines standalone selling prices based on prices charged to students and observable market prices. Many students obtain Federal Title IV or other financial aid resulting in the University receiving a significant amount of tuition revenue at the beginning of the academic term. The performance obligation for Federal Title IV funding follows the same recognition model as tuition and fees.

At the start of each academic term or program, a liability (deferred income) is recorded for academic services to be provided and a tuition receivable is recorded for the portion of the tuition not paid in advance. This tuition receivable also includes fees and auxiliary services. Any cash received prior to the start of an academic term or program is recorded as deferred income and student deposits. Some students may be eligible for scholarship awards, the estimated value of which will be realized in the future and is deducted from revenue when earned, based on historical student attendance and completion.

High Point University

Notes to Consolidated Financial Statements

(Dollars in thousands)

1. Summary of Significant Accounting Policies (Continued)

Revenue Recognition (Concluded)

Deferred Income and Student Deposits (Concluded)

As of May 31, 2024 and 2023, net tuition receivables amounted to approximately \$1,173 and \$1,263 and deferred income and student deposits relating to student contracts amounted to approximately \$18,401 and \$19,548. The University has shown the applicable categories of revenue and expenses associated with contracts with students in the consolidated statement of activities under operating revenues and operating expenses. There were no impairment losses recognized for assets related to contracts within 2024 and 2023. Substantially all the beginning balance tuition receivables and student deposits are recognized as revenue when earned.

The University has contracts with vendors which includes deferred gifts of approximately \$13,159 and \$13,557 as of May 31, 2024 and 2023 included in deferred income and student deposits on the consolidated statements of financial position, which will be earned over the life of the contracts through May 2040 on a straight-line basis.

As of May 31, 2024 and 2023, deferred income and student deposits include approximately \$31,427 and \$12,049 of deferred gifts expected to be recognized in a subsequent year and approximately \$0 and \$298 of other miscellaneous deferred income.

As the University's performance obligations have an original expected duration of one year or less, the University has applied the practical expedient to not disclose the amount of the transaction price allocated to the University's performance obligations that are unsatisfied (or partially unsatisfied) as of the end of the reporting period and when the entity expects to recognize this amount as revenue. All consideration from contracts with students is included in the transaction price.

Rental Revenue

The University operates a retail center and a hotel. Rental revenue from operating leases is recognized on a straight-line basis over the initial terms of the related leases.

The University received reimbursements from tenants for real estate taxes, insurance, common area maintenance, and other recoverable operating expenses as provided in the lease agreements. Tenant reimbursements are recognized when earned in accordance with the tenant lease agreements.

Cash and Cash Equivalents

The University considers investments purchased with an original maturity of three months or less to be cash equivalents. The University holds funded financial aid within restricted cash accounts before being disbursed to student accounts. Substantially all the financial aid is disbursed during the academic term.

Investments

Investments are reported at fair value. Investments in securities traded on a national exchange are based upon quoted market prices. Certain other nonmarketable securities are valued using current estimates of fair value obtained from the investment manager or general partner in the absence of readily determinable public market values. Such valuations generally reflect discounts for liquidity and consider variables, such as financial performance of investments, including comparison of comparable companies' earnings multiples, cash flow analysis, recent sales prices of investments, and other pertinent information. Investments in private equity and absolute return funds are generally reported at the net asset value ("NAV") by fund managers and these values are reviewed and evaluated by the University's investment management company. Unless it is probable that all or a portion of the investment will be sold for an amount other than NAV, the University has concluded, as a practical expedient, that the NAV approximates fair value. Management reviews and evaluates the values provided by the investment managers and agrees with the valuation methods and assumptions used in

High Point University

Notes to Consolidated Financial Statements

(Dollars in thousands)

1. Summary of Significant Accounting Policies (Continued)

Investments (Concluded)

determining the fair value of investments. Because of the inherent uncertainty of valuation for these investments, the investment manager's or general partner's estimate may differ from the values that would have been used had a ready market existed and these differences could be significant.

The agreements underlying participation in nonmarketable investment funds may limit the University's ability to liquidate its interests in such investments for a period of time. Management believes the carrying amount of its nonmarketable securities is a reasonable estimate of fair value as of May 31, 2024 and 2023. See fair value of financial instruments.

Student Receivables

Student receivables represent uncollateralized student obligations due under various terms depending on the funding source. Educational funding sources include students, endowed scholarships, and federal and state programs. The carrying amount of student receivables is reduced by an allowance that reflects management's estimate of uncollectible balances. Management estimates this allowance by analyzing student receivables aging, historical loss experience, current and anticipated economic conditions and other factors affecting students' credit risk. Management periodically reviews the underlying assumptions used in this estimate. After all attempts to collect a receivable have failed, the receivable is written off against the allowance. Management believes the allowance is adequate; however, future write-offs may exceed the recorded allowance.

Other Receivables

Other receivables include amounts reimbursable to the University for federal financial aid and other federal grants, sales tax refunds, HPU Health patient receivables, as well as other miscellaneous receivables. Based on the information available, management does not believe an allowance for doubtful accounts is necessary as of May 31, 2024 and 2023. However, actual write-offs could occur in the future and could have a material effect on the results of operations in the period in which such changes or events occur.

Land, Buildings, Equipment, and Depreciation

Land, buildings, and equipment above \$5,000 are stated at cost if purchased or fair value at the date the property was contributed. Assets are depreciated using the straight-line method over the estimated useful lives.

When assets are sold or otherwise disposed of, the asset and related accumulated depreciation is removed from the accounts and any remaining gain or loss is included in nonoperating activities. Repairs and maintenance are charged to expense when incurred.

Leases

Operating lease right-of-use ("ROU") assets represent the right to use an underlying asset for the lease term, and lease liabilities represent the obligation to make lease payments arising from the lease. Lease ROU assets and lease liabilities are recognized at the commencement of a lease based on the present value of lease payments over the lease term. As leases generally do not provide an implicit rate, the University uses the US Treasury rate unless an implicit rate is readily determinable. Leases may have renewal options and rent escalation clauses, as well as various purchase options, which are assessed to determine if the University is reasonably certain of exercising. Any options that meet these criteria are included in the lease term at lease commencement.

Finance lease ROU assets are included in land, buildings, and equipment and are amortized over the lesser of the lease term or the useful life of the property.

High Point University

Notes to Consolidated Financial Statements

(Dollars in thousands)

1. Summary of Significant Accounting Policies (Continued)

Leases (Concluded)

Lease expense for operating leases may consist of both fixed and variable components. Expense related to fixed lease payments is recognized on a straight-line basis over the lease term. Variable lease payments are expensed as incurred. Leases with initial terms of one year or less are not capitalized.

Other Assets

Other assets represent collections and works of art, which management believes will retain value and, therefore, are not depreciated.

Goodwill

Goodwill represents the excess of the cost of acquired assets over the fair value of the identifiable assets as of the date of acquisition. Goodwill is stated at cost and is being amortized over ten years using the straight-line method. The University tests goodwill for impairment only when the occurrence of an event or circumstance that may indicate the fair value of the entity is less than its' carrying amount with such assessment being made at the entity level. No impairment charges were recorded in 2024.

Debt Issuance Costs

The unamortized debt issuance costs are presented as a reduction of debt on the consolidated statements of financial position (Note 14). Amortization by the effective interest method of these costs is included in interest expense in the consolidated statements of activities.

Derivatives

The University utilizes derivative financial instruments to reduce interest rate risks. The University does not hold or issue derivative financial instruments for trading purposes. Accounting standards establish accounting and reporting standards for derivative instruments and hedging activities. They require that an entity recognize all derivatives as either assets or liabilities in the consolidated statements of financial position and measure those instruments at fair value. The University does not report earnings and, therefore, does not qualify for hedge accounting under this standard and, as a result, changes in fair value of the instrument are recorded as a change in net assets in the period of change and are included in nonoperating activities on the consolidated statements of activities.

Use of Estimates

The preparation of the consolidated 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 reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Concentrations of Risk

At various times throughout the year, the University may have cash balances in financial institutions that exceed amounts that are federally insured.

Liquidity risk represents the possibility the University may not be able to rapidly adjust the size of its portfolio holdings at a reasonable price in times of high volatility and financial stress. If the University were forced to dispose of an illiquid investment at an inopportune time, it might be forced to do so at a substantial discount to fair value.

Two donors accounted for 53% of pledge receivables at May 31, 2024 and one donor accounted for 45% of pledge receivables at May 31, 2023.

High Point University

Notes to Consolidated Financial Statements

(Dollars in thousands)

1. Summary of Significant Accounting Policies (Continued)

Concentrations of Risk (Concluded)

The value of securities held by the University may decline in response to certain economic events, including those events impacting entities whose securities are owned and included in the investment portfolio. Those events impacting valuation may include, but are not limited to, economic changes, market fluctuations, regulatory changes, global and political instability, currency, interest rate, and commodity price fluctuations. The University attempts to manage this risk through diversification, ongoing due diligence of fund managers, and monitoring of economic conditions. From time to time a donor may make a contribution in excess of the ten percent of total contributions in any one fiscal year.

Fair Value of Financial Instruments

Financial instruments of the University include cash and cash equivalents, investments, student and pledges receivable, notes receivable, payables, student loan funding, debt agreements, operating lease obligations and interest rate swaps. Cash and cash equivalents, investments, assets held for sale, and cash surrender value of life insurance are carried at market values. Pledges receivable are carried at the original amount of the pledge discounted over the period in which the pledge is to be paid, net of an allowance for uncollectibles. The fair value of receivables, payables, and student loan funding approximates the carrying amount because of the short maturity of these instruments. Based upon the current borrowing rates available to the University, estimated fair values of debt instruments and finance leases approximate their recorded carrying amounts. Fair value of interest rate swaps is estimated based on a valuation model and assumptions taking into account current interest rates and market data. To assist in making this determination, management uses a valuation prepared by the counterparty.

ASC 820 *Fair Value Measurement* requires that assets and liabilities carried at fair value be classified and disclosed in one of the following three categories:

- Level 1: Quoted market prices in active markets for identical assets or liabilities.
- Level 2: Observable market-based inputs or unobservable inputs that are corroborated by market data.
- Level 3: Unobservable inputs that are not corroborated by market data.

NAV - Certain investments that are measured at fair value using the net asset value per share (or its equivalent) practical expedient have not been categorized in the fair value hierarchy.

In the absence of observable market prices, the University values its investments using valuation methodologies applied on a consistent basis. For certain investments, little market activity may exist; the determination of fair value is then based on the best information available in the circumstances and may incorporate assumptions and involves a significant degree of judgment, taking into consideration a combination of internal and external factors. Investments for which market prices are not observable include private investments in the equity of operating companies. The fair value of private investments is determined by reference to revenue or private transactions, valuations for comparable companies, recent financing rounds, and other measures which, in many cases, are unaudited at the time received. Valuations may be derived by reference to observable valuation measures for comparable companies or transactions (e.g., multiplying a key performance metric of the investee company, such as revenue by a relevant valuation multiple observed in the range of comparable companies or transactions), adjusted by management for differences between the investment and the referenced comparables. Due to the inherent uncertainty of valuations, the fair values assigned to the investments are estimates and, accordingly, such estimated values may differ from the values that would have been used had an active market for the investments existed, and the differences could be material.

High Point University

Notes to Consolidated Financial Statements

(Dollars in thousands)

1. Summary of Significant Accounting Policies (Continued)

Tax Status

High Point University is a not-for-profit organization that is exempt from federal and North Carolina income taxes under Section 501(c)(3) of the Internal Revenue Code and is classified by the Internal Revenue Service as other than a private foundation.

The LLCs, including HPU Health, are treated as partnerships for federal and state income tax purposes. The earnings and losses are included in the tax return of the University. Therefore, no provision for or benefit from income taxes has been included in the accompanying consolidated financial statements.

It is the University's policy to evaluate all significant tax positions to identify any that may be considered uncertain. All identified material tax positions are assessed and measured by a "more-likely-than-not" threshold to determine if the tax position is uncertain and what, if any, the effect of the uncertain tax position may have on the consolidated financial statements. No material uncertain tax positions were identified in 2024 and 2023. Currently, the statute of limitations remains open subsequent to and including the year ended May 31, 2021; however, no examinations are in process. Any changes in the amount of a tax position, as well as related penalties and interest, will be recognized in the period the change occurs.

Long-lived Assets

Long-lived assets, such as land, buildings, and equipment, are evaluated for impairment when events or changes in circumstances indicate that the carrying amount of the assets may not be recoverable through the estimated undiscounted future cash flows from the use of these assets. When any such impairment exists, the related assets will be written down to fair value. The University had no impairment charges recorded in 2024 and 2023.

Advertising

Costs incurred for advertising and promotional materials are expensed when incurred.

Other, Net

Other nonoperating income and expenses are discretionary items not related to the University's primary business function. These expenses include items such as dorm refreshes, special events, property purchased for donation, and purchases of various noncapitalizable equipment as needed.

HPU Health, Net

HPU Health, net includes patient service revenues, net of expenses, and relates to contracts in which the performance obligations are to provide health care services to dental patients. HPU Health recognizes revenue at a point in time as services are provided to patients in the period in which the services are rendered. HPU Health deems using this input method to be a faithful depiction of the transfer of services to the patient over the performance obligation period. The contractual relationships with patients sometimes involves a third-party payor, and payments for the services provided to individuals covered by a third-party payor (i.e. insurance) are dependent upon the terms and maximum allowable fees provided by or negotiated with third-party payors. HPU Health has agreements with third-party payors that provide payments to HPU Health at amounts that are generally less than its usual and customary rates. HPU Health determines the transaction price based on its usual and customary charges for goods and services, less explicit and implicit price concessions. Explicit price concessions are realized as contractual adjustments to usual and customary fees billed to third-party payors. Implicit price concessions represent differences between amounts billed and the estimated consideration HPU Health expects to receive from patients, which are primarily based on historical collection experience. HPU Health generally bills third-party payors and patients within 14 days after services are rendered and receives payment from third-party payors between 30 and 60 days after services are rendered. Accordingly, patient service revenue is reported at the estimated net realizable amounts to be received from patients, third-party payors, and others, including estimated retroactive adjustments under reimbursement agreements with third-party payors.

High Point University

Notes to Consolidated Financial Statements

(Dollars in thousands)

1. Summary of Significant Accounting Policies (Concluded)

Subsequent Events

Management has evaluated events occurring subsequent to the consolidated statement of financial position date through September 5, 2024, the date that the consolidated financial statements were available to be issued, determining no events require adjustment to or additional disclosure in the consolidated financial statements, with the exception of Note 21.

Recent Accounting Pronouncements

In June 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2016-13, *Financial Instruments — Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*, which eliminates previous thresholds for recording credit losses on financial instruments (including receivables) and requires the University to utilize an expected credit loss model. For the University, the amendments are effective for fiscal years beginning after December 15, 2022. Management adopted this guidance in 2024 with no material impact on the University's consolidated financial statements.

2. Acquisitions

In 2024, HPU Health acquired the operating assets of multiple dental practices throughout the state of North Carolina. Students enrolled in the University's Workman School of Dental Medicine will receive patient and operational training in these practices in lieu of building on-campus dental clinics. The goodwill which arose from the acquisitions related largely to the acquisition of practice reputation.

The following summarizes the consideration paid for the dental practices and the estimated fair value of assets acquired in 2024, in aggregate, at the acquisition date.

Consideration:

Cash	\$ 985
	<u>\$ 985</u>

Recognized amounts of identifiable assets acquired:

Equipment	\$ 75
Goodwill	910
	<u>\$ 985</u>

In 2023, HPU Health acquired the operating assets of multiple dental practices throughout the state of North Carolina. The goodwill which arose from the acquisitions related largely to the acquisition of practice reputation.

The following summarizes the consideration paid for the dental practices and the estimated fair value of assets acquired in 2023, in aggregate, at the acquisition date.

Consideration:

Cash	\$ 1,422
	<u>\$ 1,422</u>

Recognized amounts of identifiable assets acquired:

Equipment	\$ 453
Goodwill	969
	<u>\$ 1,422</u>

Subsequent to the acquisitions in 2023, the University adjusted goodwill by \$43 related to deferred revenue that was owed but not known at the time of the acquisition.

High Point University

Notes to Consolidated Financial Statements

(Dollars in thousands)

3. Liquidity and Availability

Financial assets available for general expenditure within one year of May 31 are as follows:

May 31,	2024	2023
Total assets	\$ 1,237,786	\$ 1,128,722
Less:		
Restricted cash accounts	7,815	7,659
Investments with donor restrictions	133,190	110,688
Annuities	3,068	2,852
Deferred compensation	509	436
Notes receivable, long-term	8,187	8,189
Pledges receivable, long-term and restricted	36,977	32,428
Prepaid expenses	2,351	2,540
Operating lease right-of-use assets, net	6,871	1,045
Land, buildings, and equipment, net	881,707	839,754
Cash surrender value of life insurance	5,764	6,074
Goodwill, net	1,700	897
Other assets	3,174	2,770
Financial assets available within one year	\$ 146,473	\$ 113,390

The University manages its financial assets to be available as its operating expenditures, liabilities, and other obligations come due while also striving to maximize the investment of its available funds. In addition to financial assets available to meet general expenditures over the next 12 months, the University operates with a balanced budget and anticipates collecting sufficient revenue to cover general expenditures. Refer to the consolidated statements of cash flows which identifies the sources and uses of the University's cash and shows positive cash generated by operations in 2024 and 2023.

4. Investments

Investments are recorded at fair value or NAV (Note 6) and are comprised of the following at:

May 31,	2024	2023
Equities (cost of \$73,895 in 2024 and \$69,830 in 2023)	\$ 101,532	\$ 75,590
Fixed income (cost of \$29,799 in 2024 and \$25,515 in 2023)	28,448	23,965
Alternatives (cost of \$25,372 in 2024 and \$22,304 in 2023)	32,720	27,688
Money market funds	11,013	18,851
Other	829	768
Total	\$ 174,542	\$ 146,862

Investments include without donor restrictions and with donor restrictions funds or "endowment" monies of approximately \$170,631 and \$143,278 as of May 31, 2024 and 2023.

The University paid investment management fees of approximately \$636 and \$528 in 2024 and 2023.

High Point University

Notes to Consolidated Financial Statements

(Dollars in thousands)

5. Endowment Funds

As of May 31, 2024, endowment net assets by type of fund comprised:

	Without Donor Restrictions	With Donor Restrictions	Total
Board-designated endowment funds	\$ 47,466	\$ -	\$ 47,466
Donor-restricted endowment funds	-	129,790	129,790
Total	\$ 47,466	\$ 129,790	\$ 177,256

Certain funds have been board-designated for scholarship use, however the board may undesignate and use funds for unrestricted uses as needed.

The following summarizes changes in endowment net assets for the year ended May 31, 2024:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	\$ 39,355	\$ 112,134	\$ 151,489
Investment return:			
Interest and dividends, net of fees	670	2,080	2,750
Reinvested interest and dividends, net of fees	-	46	46
Net realized and unrealized gains	5,448	13,384	18,832
Total investment return	6,118	15,510	21,628
Contributions	619	6,336	6,955
Appropriation for expenditure	(396)	(4,194)	(4,590)
Other transfers	1,770	4	1,774
Endowment net assets, end of year	\$ 47,466	\$ 129,790	\$ 177,256

As part of the University's ten-year plan to grow the endowment fund, the board has authorized additional contributions to be made to the endowment. As of May 31, 2024 and 2023, the board designated an additional \$1,770 and \$9,999 to the endowment.

A donor-restricted endowment fund is considered to be underwater if the fair value of the fund is less than either the original gift amount or the amount required to be maintained by the donor or by law. At times, the University may have individual donor-restricted endowment funds that are underwater. The University has a spending policy that permits spending from underwater funds with written consent by the donor. As of May 31, 2024 and 2023, the University identified approximately \$0 and \$864 of net donor-restricted funds that were underwater.

As of May 31, 2023, endowment net assets by type of fund comprised:

	Without Donor Restrictions	With Donor Restrictions	Total
Board-designated endowment funds	\$ 39,355	\$ -	\$ 39,355
Donor-restricted endowment funds	-	112,134	112,134
Total	\$ 39,355	\$ 112,134	\$ 151,489

Certain funds have been board-designated for scholarship use, however the board may undesignate and use funds for unrestricted uses as needed.

High Point University

Notes to Consolidated Financial Statements

(Dollars in thousands)

5. Endowment Funds (Continued)

The following summarizes changes in endowment net assets for the year ended May 31, 2023:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	\$ 29,765	\$ 108,947	\$ 138,712
Investment return (loss):			
Interest and dividends, net of fees	511	1,774	2,285
Reinvested interest and dividends, net of fees	-	43	43
Net realized and unrealized losses	(814)	(3,992)	(4,806)
Total investment loss	(303)	(2,175)	(2,478)
Contributions	60	8,741	8,801
Appropriation for expenditure	(166)	(3,375)	(3,541)
Other transfers	9,999	(4)	9,995
Endowment net assets, end of year	\$ 39,355	\$ 112,134	\$ 151,489

Endowments

Management has interpreted the Uniform Prudent Management of Institutional Funds Act ("UPMIFA") as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the University classifies as with donor restrictions net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

In accordance with UPMIFA, the University considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: (1) the duration and preservation of the various funds, (2) the purposes of the donor-restricted endowment funds, (3) general economic conditions, (4) the possible effect of inflation and deflation, (5) the expected total return from income and the appreciation of investments, (6) other resources of the University, and (7) the University's investment policies.

In accordance with UPMIFA, if an institution determines that a restriction on funds is impracticable, the institution may release or modify the restriction if the fund has a total value of less than \$100, more than 10 years have elapsed since the fund was established, and the institution uses the property in a manner consistent with the charitable purposes expressed in the gift instrument. This process is subject to the oversight of the Attorney General of North Carolina.

Spending Policy

The University's current policy states endowment spending shall be calculated by taking a board approved rate, up to 4%, of the average market value over the trailing 12 quarters through the calendar year end preceding the year in which expenditure is planned. The income distribution shall be determined annually as of December 31, based on the University's spending policy and the endowment agreement.

Under UPMIFA, the University is required to practice prudent spending. The University will not distribute income from an endowment fund if its principal market value is less than the historical gift value, unless otherwise directed with written consent from the donor. If there is any additional income that exceeds the ceiling percentage stated in the spending policy, it will be reinvested into the endowment fund as net assets with donor restrictions.

High Point University

Notes to Consolidated Financial Statements

(Dollars in thousands)

5. Endowment Funds (Concluded)

Spending Policy (Concluded)

In establishing this policy, the University considered the long-term expected return on its investment assets, the nature and duration of the individual endowment funds, many of which must be maintained in perpetuity because of donor restrictions, and the possible effects of inflation. The University expects the current spending policy to allow its endowment funds to grow at a rate consistent with the University's objective to maintain the purchasing power of the endowment assets, as well as to provide additional growth through investment return.

6. Fair Value of Financial Instruments

The following are the assets measured at fair value requiring classification as of May 31, 2024:

	Level 1	Level 2	Level 3	Investments Reported at NAV	Total
Assets:					
Equities	\$ 101,532	\$ -	\$ -	\$ -	\$ 101,532
Fixed income	28,448	-	-	-	28,448
Alternatives	-	-	-	32,720	32,720
Money market funds	11,013	-	-	-	11,013
Other	822	-	7	-	829
Fair value of interest rate swap	-	1,299	-	-	1,299
Total	\$ 141,815	\$ 1,299	\$ 7	\$ 32,720	\$ 175,841

The following are the assets measured at fair value requiring classification as of May 31, 2023:

	Level 1	Level 2	Level 3	Investments Reported at NAV	Total
Assets:					
Equities	\$ 75,590	\$ -	\$ -	\$ -	\$ 75,590
Fixed income	23,965	-	-	-	23,965
Alternatives	-	-	-	27,688	27,688
Money market funds	18,851	-	-	-	18,851
Other	761	-	7	-	768
Fair value of interest rate swap	-	950	-	-	950
Total	\$ 119,167	\$ 950	\$ 7	\$ 27,688	\$ 147,812

There were no transfers into or out of Level 3 in 2024 or 2023.

High Point University

Notes to Consolidated Financial Statements

(Dollars in thousands)

7. Receivables from Students

Student receivables consist of the following:

<i>May 31,</i>	2024	2023
Gross student receivables	\$ 3,273	\$ 3,108
Allowance for credit losses	(2,100)	(1,845)
Net student receivables	\$ 1,173	\$ 1,263

The activity in the allowance for credit losses was:

<i>Year ended May 31,</i>	2024	2023
Balance, beginning of year	\$ (1,845)	\$ (1,465)
Charges to operating expenses	(296)	(370)
Uncollectable receivables written off, net of recoveries	41	(10)
Balance, end of year	\$ (2,100)	\$ (1,845)

Student receivables also included Federal Perkins Loans in 2023, which are low-interest federally funded student loans that participating schools make to eligible undergraduate students.

During 2024, the University finalized close out procedures for the Perkins loan and returned all outstanding amounts to the federal government.

8. Pledges

Pledges are summarized as follows:

<i>May 31,</i>	2024	2023
Less than one year	\$ 13,535	\$ 20,361
One year to five years	27,145	14,474
Over five years	915	1,334
	41,595	36,169
Less allowance for uncollectible pledges	(1,723)	(1,811)
Net total	\$ 39,872	\$ 34,358

The activity in the allowance for doubtful pledges was:

<i>Year ended May 31,</i>	2024	2023
Balance, beginning of year	\$ (1,811)	\$ (3,979)
Charges to operating expenses, net of recoveries	(88)	1,761
Uncollectable pledges written off	176	407
Balance, end of year	\$ (1,723)	\$ (1,811)

Pledges are recorded net of present value discounts of approximately \$10,463 and \$2,353 as of May 31, 2024 and 2023. Pledges received in 2024 and 2023 are being discounted at the rate of 8.50% and 8.25%, which remains constant for the life of the pledge. The range of discounts for all pledges outstanding is 3.25% to 8.50% as of May 31, 2024.

High Point University

Notes to Consolidated Financial Statements

(Dollars in thousands)

8. Pledges (Concluded)

As of May 31, 2024 and 2023, the University had conditional promises to give totaling approximately \$42,164 and \$67,924. These conditional promises, if received, would generally be restricted for plant fund expenditures and scholarships. As these promises are conditional, they are not recognized in the accompanying consolidated statements of financial position.

9. Contributions of Nonfinancial Assets

Contributions of nonfinancial assets recognized within the consolidated statements of activities are summarized as follows:

<i>Year ended May 31,</i>	2024	2023
Land and building improvements	\$ 100	\$ -
Equipment	53	141
Services	40	-
Collectibles	-	45
Total	\$ 193	\$ 186

The University recognized contributions of nonfinancial assets with revenue, including equipment and collectibles. Unless noted below, contributed nonfinancial assets did not have donor-imposed restrictions.

Contributions of nonfinancial assets include equipment and collectibles that will be used for general University purposes. In valuing the contributed building improvement and equipment, the University used the invoice that the University would have had to otherwise pay. For the contributed collectibles, the University received an appraisal report from a third party to properly value the gift. Contributed services are valued based on the market value of the services received. All contributions of nonfinancial assets were without donor restrictions in 2024 and 2023.

10. Assets Held for Sale

The University decided to sell certain real property and classified this property as assets held for sale in accordance with ASC 360 *Property, Plant and Equipment*. The property sold in 2023 resulting in a gain of approximately \$886 which is included in gain on sale of land, buildings, and equipment in the consolidated statement of activities.

High Point University

Notes to Consolidated Financial Statements

(Dollars in thousands)

11. Land, Buildings, and Equipment, Net

Major classes of land, buildings, and equipment are as follows:

<i>May 31,</i>	Life (in Years)	2024	2023
Buildings	15-40	\$ 916,782	\$ 787,960
Equipment	3-15	166,396	154,783
Land and building improvements	15	94,921	86,710
Land		85,036	84,252
Construction in progress (Note 16)		30,645	100,312
		1,293,780	1,214,017
Less accumulated depreciation		(412,073)	(374,263)
Land, buildings, and equipment, net		\$ 881,707	\$ 839,754

The allocation of depreciation is based on the square footage of depreciable assets for each area as follows:

<i>Year ended May 31,</i>	2024	2023
Instruction	\$ 7,424	\$ 7,809
Operating and maintenance of facilities	1,557	1,639
Student services	3,231	1,513
Institutional support	238	250
Academic support	1,408	1,481
Auxiliary enterprises	22,991	24,170
Rental expenses	951	896
HPU Health, net	200	61
Total	\$ 38,000	\$ 37,819

12. Goodwill, Net

Goodwill is summarized as follows:

<i>May 31,</i>	2024	2023
Goodwill	\$ 1,922	\$ 969
Less accumulated amortization	(222)	(72)
Goodwill, net	\$ 1,700	\$ 897

High Point University

Notes to Consolidated Financial Statements

(Dollars in thousands)

12. Goodwill, Net (Concluded)

Amortization expense was approximately \$150 and \$72 in 2024 and 2023 and is included in HPU Health, net in the consolidated statement of activities. No impairment charges were recorded in 2024 or 2023.

Future amortization expense is as follows:

Year ended May 31,

2025	\$	192
2026		192
2027		192
2028		192
2029		192
Thereafter		740
	\$	1,700

13. Accounts Payable and Accrued Expenses

Accounts payable and accrued expenses are summarized as follows:

<i>May 31,</i>	2024	2023
Accounts payable	\$ 10,534	\$ 22,343
Accrued payroll	7,576	6,000
Retainage	1,922	6,680
Financial commitment payable	1,728	1,824
Contribution payable	708	910
Other	236	370
Total	\$ 22,704	\$ 38,127

14. Long-term Debt

Long-term debt consists of the following:

<i>May 31,</i>	2024	2023
North Carolina Educational Facility, Bonds of 2015	\$ 45,747	\$ 52,170
North Carolina Educational Facility, Bonds of 2021	39,335	41,385
North Carolina Educational Facility, Bonds of 2021, unamortized premium	6,142	7,096
Debt issuance costs, net of accumulated amortization of approximately \$320 and \$256 in 2024 and 2023	(370)	(434)
Total	90,854	100,217
Less portion of long-term debt due within one year	(9,641)	(9,364)
Long-term portion of long-term debt	\$ 81,213	\$ 90,853

High Point University

Notes to Consolidated Financial Statements

(Dollars in thousands)

14. Long-term Debt (Continued)

North Carolina Educational Facility, Bonds of 2015

The North Carolina Educational Facility Bonds of 2015 are payable in varying annual installments ranging from \$1,000 to \$7,453 through May 2033. Under an amended and restated promissory note on the Bonds of 2015, interest is paid in monthly installments at a variable rate of 79.00% of one-month SOFR, plus 0.87% or 5.07% as of May 31, 2024. The bond amortization runs through December 2032 with a maturity/put date of October 2028. The University has an early payment option with no penalty.

The University paid approximately \$188 in costs associated with the issuance of the Bonds of 2015. Such costs are being amortized using the effective interest method over the length of the loan agreement. Accumulated amortization as of May 31, 2024 and 2023 was approximately \$155 and \$143.

North Carolina Educational Facility, Bonds of 2021

The North Carolina Educational Facility Bonds of 2021 are payable in varying annual installments ranging from \$1,970 to \$6,665 through May 2034. Interest is paid in semi-annual installments at varying stated fixed rates ranging from 3.00% to 5.00%. The all-in true interest cost is approximately 2.00% with a net present value savings of approximately \$12,300. The bond is secured by an Indenture of Trust.

The Bonds of 2021 were issued at a premium in the amount of approximately \$9,147. This premium is being amortized over the contractual term of the debt agreement using the effective interest method. The unamortized portion of the premium as of May 31, 2024 and 2023 was approximately \$6,142 and \$7,096.

The University paid approximately \$502 in costs associated with the issuance of the Bonds of 2021. Such costs are being amortized using the effective interest method over the length of the loan agreement. Accumulated amortization as of May 31, 2024 and 2023 was approximately \$165 and \$113.

New Market Tax Credits Financing

The University entered into a financing arrangement with an investor using new market tax credits ("NMTC Financing"). In connection with the NMTC Financing, the University loaned \$8,022 to CARE for High Point, Inc., a nonprofit corporation leverage lender, who then provided the funds to Investment Fund, LLC (the "Fund"). A third-party NMTC investor invested \$2,728 in the Fund in exchange for new market tax credits. As part of the NMTC Financing, the Fund invested those funds into a qualified Sub-CDE, LLC ("CDE"). The CDE loaned High Point University substantially all of the proceeds of investments made in them by the Fund, net of fees of \$525, in the aggregate amount of \$10,225 ("Project Loans"). High Point University then executed and delivered to the CDE a loan agreement evidenced by: (1) a promissory note for a leverage loan in the amount of \$8,022 (2) and a promissory note for the NMTC equity loan of \$2,728 along with a community benefits agreement.

The new market tax credits had a seven-year compliance period. In connection with making the leverage loan, CARE for High Point, Inc. entered into an investment fund put and call agreement with the tax credit investor. In the event the tax credit investor did not exercise its option, CARE for High Point, Inc. had the right and option, but not the obligation, to purchase all of the interest (the "Investment Fund Call") for 90 calendar days following the expiration of the put exercise period. CARE for High Point, Inc. exercised their option in 2023, therefore, the University did not have to satisfy the NMTC equity loan. The unwind of the NMTC was completed in April 2023 and the University recognized a gain on extinguishment of NMTC on the consolidated statements of activities of approximately \$2,452 which represented the gain, net of related expenses.

High Point University

Notes to Consolidated Financial Statements

(Dollars in thousands)

14. Long-term Debt (Concluded)

As of May 31, 2024, the aggregate amounts of long-term debt maturing in each of the next five years and thereafter are as follows:

<i>Year ended May 31,</i>		
2025	\$	8,793
2026		9,238
2027		9,538
2028		9,868
2029		9,763
Thereafter		37,882
Total		85,082
Unamortized premium		6,142
Debt issuance costs, net		(370)
Total debt	\$	90,854

In addition, certain of the above agreements contain financial covenants relating to debt service and various nonfinancial covenants. As of May 31, 2024 the University is in compliance with all financial and nonfinancial covenants.

15. Leases

Lessee

The University leases dental offices, vehicles and equipment for various terms under long-term, noncancelable operating lease agreements. The lease agreements generally require the University to pay real estate taxes, insurance, and repairs. The leases expire at various dates through February 2039 and provide for renewal options ranging from zero to five years. Certain leases provide for increases in future minimum annual rental payments.

The University leases various equipment under finance leases. The finance lease ROU assets are included in land, buildings, and equipment in the consolidated statements of financial position and have a capitalized cost of approximately \$3,867 with accumulated depreciation of approximately \$2,823 and \$2,307 as of May 31, 2024 and 2023.

Components of lease expense are as follows:

<i>Year ended May 31,</i>	2024	2023
Operating lease expense:		
Fixed rent expense	\$ 686	\$ 137
Variable rent expense	123	19
Finance lease expense:		
Amortization of ROU assets	768	773
Interest expense	53	76
Short-term lease expense	1,335	1,133
Net lease expense	\$ 2,965	\$ 2,138

High Point University

Notes to Consolidated Financial Statements

(Dollars in thousands)

15. Leases (Continued)

Cash and noncash activities associated with leases are as follows:

<i>Year ended May 31,</i>	2024	2023
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows from operating leases	\$ 559	\$ 113
Operating cash flows from finance leases	53	76
Financing cash flows from finance leases	789	769
Noncash investing and financing activities:		
Additions to ROU assets obtained from:		
New operating lease liabilities	\$ 5,937	\$ 1,139
New finance lease liabilities	-	28

Future payments due under operating and finance lease liabilities as of May 31, 2024 are as follows:

	Operating	Finance
2025	\$ 943	\$ 829
2026	863	7
2027	831	7
2028	831	-
2029	764	-
Thereafter	4,425	-
Total	8,657	843
Less effects of discounting	(1,701)	(28)
Present value of future minimum payments	6,956	815
Less portion due within one year	(681)	(801)
Long-term portion of lease obligations, net of current portion	\$ 6,275	\$ 14

Weighted-average remaining lease terms and discount rates are as follows:

<i>May 31,</i>	2024	2023
Weighted-average remaining lease terms:		
Operating	10.68	7.37
Finance	1.04	2.00
Weighted-average discount rates:		
Operating	4.01%	3.24%
Finance	3.34%	3.34%

Lessor

The University leases certain property to tenants under operating leases with initial terms expiring through December 2044, which are included in land, buildings, and equipment, net in the consolidated statements of financial position. The determination of whether an arrangement is a lease is made at the lease's inception. The University's leases do not provide options for lessees to purchase the assets. The University reassesses the determination of whether an arrangement is a lease if the terms and conditions of the contract are changed.

High Point University

Notes to Consolidated Financial Statements

(Dollars in thousands)

15. Leases (Concluded)

Lessor (Concluded)

Many of the University's contracts include services to maintain the related assets on behalf of the lessees, as well as taxes assessed and collected on the leased property. The University has elected to apply the practical expedient that allows property leases and their associated maintenance services to be accounted for as a single operating lease component. The University has determined the property lease is predominant in these contracts and is accounting for the combined property and maintenance components as an operating lease under Topic 842. As a result, the University reports the property lease and maintenance service revenues as a single line in the consolidated statements of activities.

The approximate future minimum lease payments to be received from noncancelable operating leases as of May 31, 2024 are:

Year ended May 31,

2025	\$	522
2026		503
2027		466
2028		466
2029		360
Thereafter		3,377
Total	\$	5,694

Total cost of the leased assets as of May 31, 2024 and 2023 is \$5,262 and \$4,404, with a carrying value of approximately \$3,890 and \$3,976. This includes land, land improvements, and buildings. Total accumulated depreciation associated with the University's leased assets is approximately \$1,372 and \$429 as of May 31, 2024 and 2023. Certain lease agreements provide for contingent rentals based on sales in excess of specified levels. In 2024 and 2023, there were no contingent rental revenues earned.

16. Commitments and Contingencies

Retirement Plan

The University has a Section 403(b) contributory retirement plan covering all nonstudent employees. Participation in the plan is mandatory. The University contributes to the plan a maximum of 8% of the participant's compensation with 5% being mandatory and up to an additional 3% based on participant contribution. The University's expense was approximately \$4,063 and \$4,299 in 2024 and 2023.

Self-Insured Health Care Plan

The University is self-insured for its employee health benefits program. As of May 31, 2024 and 2023, the University is liable for claims up to \$150 and \$135 per employee annually and aggregate claims up to approximately \$12,946 annually. Self-insurance claim costs are accrued based upon the aggregate of the liability for reported claims and an estimated liability for claims incurred but not reported.

The cost of such benefits was approximately \$9,772 and \$8,111 in 2024 and 2023. Taking the full cost of the medical plan into consideration (including fixed costs and the accrued claims costs listed here), total plan costs in 2024 and 2023 were approximately \$11,994 and \$9,479. The University has an accrual of approximately \$581 and \$737 as of May 31, 2024 and 2023 for claims incurred but not reported, which is included in accounts payable and accrued expenses on the consolidated statements of financial position.

High Point University

Notes to Consolidated Financial Statements

(Dollars in thousands)

16. Commitments and Contingencies (Continued)

Deferred Compensation Plan

The University sponsors a nonqualified deferred compensation plan for a key employee. Under the plan, the participant will receive a lump-sum retirement benefit at intervals chosen by the key employee based on a benefit formula specified in the plan. Total deferred compensation liability related to this plan is approximately \$379 and \$376 as of May 31, 2024 and 2023 and is included in accounts payable and accrued expenses in the consolidated statements of financial position with the corresponding asset included in investments. The plan provides for an annual contribution of 60% of the key employee's annual rate of salary and can be increased at the discretion of the board of trustees of the University. The next scheduled vesting date for the plan is December 31, 2024.

The University sponsors another nonqualified deferred compensation plan for a different key employee as part of their compensation package with a vesting date of May 31, 2027; funding for the plan began in May 2023. The deferred executive compensation asset and liability related to the plan is approximately \$130 and \$60 as of May 31, 2024 and 2023, and is included in accounts payable and accrued expenses in the consolidated statements of financial position with the corresponding asset included in investments.

Life Insurance Arrangements

The University owns and maintains life insurance policies, some of which include endorsement split-dollar arrangements, on behalf of a key employee. The amount of the cash surrender value included on the consolidated statements of financial position is approximately \$5,764 and \$6,074 as of May 31, 2024 and 2023. The face amount of the life insurance policies totals \$85,000. As of May 31, 2024, the University has expected future premium commitments of approximately \$3,526 related to the life insurance policies (Note 20).

Employment Agreement

The University entered into an employment agreement with a key employee, which provides for annual compensation for each of the five years during the term as defined in the agreement. Upon approval by the Board of Trustees, in 2024, the University and the key employee amended the foregoing employment agreement to extend its term through May 31, 2029.

The University has accrued approximately \$2,000 for performance-based compensation. The agreement accrues 20% each year for five years at which point the compensation is eligible to be paid, or sooner if certain metrics are met. The amount accrued is included in accounts payable and accrued expenses in the consolidated statements of activities as of May 2024, and was paid to the employee subsequent to year end. Under the 2024 amended agreement, the employee has the potential to earn up to a \$5,000 bonus if certain metrics are met, and will be paid during 2029 and accrue ratably over the period of employment.

Capital Commitments

The University expended approximately \$30,645 for buildings and other structures, which are classified as construction in progress as of May 31, 2024. Construction in progress includes, but is not limited to, parking deck; panther commons dormitory; dormitory houses; tailgate pavilion; arena renovations; office renovations and other various projects. The University has a future commitment in the amount of approximately \$70,596 related to the expected costs to complete the items currently in construction in progress.

As of May 31, 2024, the University had future commitments in the amount of approximately \$7,060 related to outstanding capital calls on alternative investments.

High Point University

Notes to Consolidated Financial Statements

(Dollars in thousands)

16. Commitments and Contingencies (Concluded)

Pledges Payable

Pledges payable included in accounts payable and accrued expenses in the consolidated statements of financial position are summarized as follows:

May 31,	2024	2023
Less than one year	\$ 220	\$ 220
One year to five years	488	690
Net total	\$ 708	\$ 910

Pledges payable are recorded net of present value discounts of approximately \$132 as of May 31, 2024. As of May 31, 2024 and 2023, pledges payable is being discounted at the rate of 8.25%, which remains constant for the life of the pledge.

Litigation

The University is involved in various legal actions arising in the normal course of operations. It is management's opinion, based on the facts currently known and after consulting with counsel, that the resolution of these matters will not materially affect the University's consolidated financial position or the future results of its operations.

17. Net Assets

Net assets are available for the following purposes:

May 31,	2024	2023
Without donor restrictions		
Net investment in plant	\$ 51,401	\$ 68,861
Designated by the board - Quasi endowment	47,466	39,355
Undesignated	752,097	657,647
Total net assets without donor restrictions	850,964	765,863
With donor restrictions		
Donor restricted endowments perpetual in nature:		
Scholarships	101,041	94,651
Subject to expenditures for specified purpose:		
Plant expenditures	30,057	28,827
Endowment - cumulative gains, net	28,749	17,483
Annual scholarship gifts	34,135	10,696
Annuity fund	1,688	1,709
Subject to passage of time:		
Time restricted pledges receivable	5,389	21,529
Total net assets with donor restrictions	201,059	174,895
Total net assets	\$ 1,052,023	\$ 940,758

A portion of the University's endowment is without donor restrictions as Quasi endowments. These funds are held for the support of community events, student scholarships, and general operating expenses.

High Point University

Notes to Consolidated Financial Statements

(Dollars in thousands)

17. Net Assets (Concluded)

Net assets are released from donor restrictions when expenses are incurred to satisfy the restricted purposes or by occurrence of other events as specified by donors. Net assets released from restrictions were as follows:

May 31,	2024	2023
Operating:		
Scholarships	\$ 11,036	\$ 10,585
Total operating	11,036	10,585
Nonoperating:		
Building and equipment	424	5,383
Change in passage of time restriction/other	45,621	43,262
Total nonoperating	46,045	48,645
Total released from restrictions	\$ 57,081	\$ 59,230

18. Operating Expenses by Function and Nature and Revenue Disaggregated Data

Operating expenses by function and nature for the year ended May 31, 2024:

	Program Expenses	Management and General	Fundraising	Total Expenses
Salaries and wages	\$ 65,530	\$ 15,708	\$ 2,763	\$ 84,001
Benefits	12,307	3,497	403	16,207
Advertising	5,064	-	-	5,064
Services	53,386	30,945	946	85,277
Supplies	20,317	9,125	178	29,620
Occupancy and utilities	13,151	6,642	-	19,793
Depreciation	36,612	1,188	-	37,800
Interest	-	2,683	-	2,683
Total	\$ 206,367	\$ 69,788	\$ 4,290	\$ 280,445

Operating expenses by function and nature for the year ended May 31, 2023:

	Program Expenses	Management and General	Fundraising	Total Expenses
Salaries and wages	\$ 59,293	\$ 14,770	\$ 2,041	\$ 76,104
Benefits	11,452	3,324	447	15,223
Advertising	7,453	-	-	7,453
Services	46,022	25,663	956	72,641
Supplies	8,660	16,595	175	25,430
Occupancy and utilities	12,474	6,630	-	19,104
Depreciation	36,612	1,146	-	37,758
Interest	-	2,951	-	2,951
Total	\$ 181,966	\$ 71,079	\$ 3,619	\$ 256,664

High Point University

Notes to Consolidated Financial Statements

(Dollars in thousands)

18. Operating Expenses by Function and Nature and Revenue Disaggregated Data (Concluded)

The University allocates a percentage of the president's salary across all functional areas based on an estimate of time and effort. The allocation of time is 10% program expense, 70% management and general, and 20% fundraising. Additionally, the Senior VP of Institutional Advancement has his time allocated as 5% management and general and 95% fundraising. All other University expenses are directly attributable to specific programs, management and general, and fundraising. Therefore, the preparation of the consolidated table of functional expenses does not require further estimation for allocation of expenses by functional category.

Revenue Disaggregated Data

The following table presents the University's revenue from contracts with students disaggregated by material revenue categories:

	2024	2023
Undergraduate		
Tuition and fees	\$ 230,160	\$ 211,197
Funded aid allowance	(9,737)	(9,531)
Unfunded aid allowance	(73,801)	(62,900)
Cafeteria, residence halls, and other	101,061	91,205
Total undergraduate	247,683	229,971
Graduate		
Tuition and fees	43,829	40,152
Funded aid allowance	(1,299)	(1,054)
Unfunded aid allowance	(10,344)	(8,405)
Cafeteria, residence halls, and other	9,542	8,037
Total graduate	41,728	38,730
Miscellaneous		
Tuition and fees	22	12
Cafeteria, residence halls, and other	1,945	1,703
Total miscellaneous	1,967	1,715
Total	\$ 291,378	\$ 270,416

19. Derivative

The University has a derivative financial instrument in the ordinary course of business but does not use this derivative instrument for trading purposes. The instrument is an interest rate swap agreement designed to decrease the variable rate exposure associated with the University's debt. A swap agreement with an effective date of October 22, 2015 was entered into with a financial institution and has a notional amount of \$45,747 and \$52,170 as of May 31, 2024 and 2023. The fair value was an asset of approximately \$1,299 and \$950 as of May 31, 2024 and 2023 and is included in other assets in the accompanying consolidated statements of financial position. The change in fair value of the interest rate swap was approximately \$349 and \$902 in 2024 and 2023 and is separately stated in the consolidated statements of activities.

High Point University

Notes to Consolidated Financial Statements

(Dollars in thousands)

20. Related Party Transactions

The University conducts business with various board and committee members. The University follows its conflict-of-interest policy when conducting business with such related parties. Amounts paid to related parties for debt payments, services rendered, and purchases made was approximately \$36,149 and \$22,157 in 2024 and 2023.

Related party pledge receivables are approximately \$34,344 and \$20,837 as of May 31, 2024 and 2023.

The University has a related party note receivable with a key employee. The University assigned a split-dollar life insurance policy to the employee in December 2020. The note receivable is an interest free note to reimburse the University for premiums paid on the employee's behalf for the split-dollar life insurance policy and is secured by the split-dollar life insurance policy. There is no payment schedule on the note receivable, and it is due upon the execution of the life insurance policy. The outstanding balance of the note receivable is approximately \$8,175 as of May 31, 2024 and 2023.

21. Subsequent Events

Subsequent to May 31, 2024 through the issuance of the consolidated financial statements, the University has made various purchases of properties, which total approximately \$1,490.