High Point University

Consolidated Financial Statements

Years Ended May 31, 2023 and 2022

High Point University

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High Point University

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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, 2023 and 2022, 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, 2023 and 2022, 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.

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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.

Smith Leonard PLLC

High Point, North Carolina
September 8, 2023

High Point University

Consolidated Statements of Financial Position

(Dollars in thousands)

May 31,	**2023**	2022
Assets		
Cash and cash equivalents	**$ 70,780**	$ 59,916
Investments	**146,862**	136,452
Receivables:		
Student, net	**1,263**	759
Other	**14,188**	12,296
Notes	**8,191**	8,193
Pledges, net	**34,358**	66,984
Prepaid expenses	**2,540**	1,312
Operating lease right-of-use assets, net	**1,045**	-
Assets held for sale	**-**	1,017
Land, buildings, and equipment, net	**839,754**	763,097
Cash surrender value of life insurance	**6,074**	6,370
Goodwill, net	**897**	-
Other assets	**2,770**	1,788
Total assets	**$ 1,128,722**	$ 1,058,184
Liabilities and Net Assets		
Liabilities:		
Accounts payable and accrued expenses	**$ 38,127**	$ 26,742
Portion of long-term debt due within one year	**9,364**	9,307
Portion of finance lease liabilities due within one year	**789**	768
Portion of operating lease liabilities due within one year	**129**	-
Deferred income and student deposits	**45,452**	37,509
Deposits held in custody for others	**1,472**	1,205
Long-term portion of long-term debt	**90,853**	102,556
Long-term portion of finance lease liabilities	**815**	1,577
Long-term portion of operating lease liabilities	**926**	-
Federal and state student loan funding	**37**	57
Total liabilities	**187,964**	179,721
Commitments and contingencies		
Net Assets:		
Without donor restrictions	**765,863**	674,956
With donor restrictions	**174,895**	203,507
Total net assets	**940,758**	878,463
Total liabilities and net assets	**$ 1,128,722**	$ 1,058,184

See accompanying notes to consolidated financial statements.

High Point University

Consolidated Statement of Activities

(Dollars in thousands)

Year ended May 31, 2023	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:			
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	926	-	**926**
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 Statement of Activities

(Dollars in thousands)

Year ended May 31, 2022	**Without Donor Restrictions**	**With Donor Restrictions**	**Total**
Operating Revenues			
Tuition and fees, net	$ 158,950	$ -	$ 158,950
Contributions	8,189	-	8,189
Federal, state, and private grants	3,258	-	3,258
Auxiliary enterprises:			
Cafeteria	37,758	-	37,758
Residence halls	56,254	-	56,254
Other	1,986	-	1,986
Total auxiliary enterprises	95,998	-	95,998
Rental income	1,112	-	1,112
Investment income used in operations	673	-	673
Other revenues	1,125	-	1,125
Net assets released from restrictions	10,124	(10,124)	-
Total operating revenues	279,429	(10,124)	269,305
Operating Expenses			
Instruction	57,143	-	57,143
Research	1,073	-	1,073
Operating and maintenance of facilities	34,704	-	34,704
Student services	34,393	-	34,393
Institutional support	21,023	-	21,023
Academic support	8,288	-	8,288
Total education and general	156,624	-	156,624
Auxiliary enterprises	61,015	-	61,015
Interest	2,992	-	2,992
Rental expenses	3,660	-	3,660
Total operating expenses	224,291	-	224,291
Change in net assets from operations	55,138	(10,124)	45,014
Nonoperating activities			
Interest and dividends, net of investment fees	325	1,260	1,585
Realized and unrealized losses, net	(2,580)	(5,271)	(7,851)
Nonoperating contributions	1,718	79,310	81,028
Contributions of nonfinancial assets	1,014	-	1,014
Change in value of interest swap rates	3,342	-	3,342
Gain on sale of land, buildings, and equipment	8	-	8
Other, net	(14,203)	1,922	(12,281)
Net assets released from restrictions	6,679	(6,679)	-
Change in net assets from nonoperating activities	(3,697)	70,542	66,845
Change in net assets	51,441	60,418	111,859
Net assets - beginning of year	623,515	143,089	766,604
Net assets - end of year	$ 674,956	$ 203,507	$ 878,463

See accompanying notes to consolidated financial statements.

High Point University

Consolidated Statements of Cash Flows

(Dollars in thousands)

Year ended May 31,	**2023**	2022
Cash flows from operating activities		
Change in net assets	**$ 62,295**	$ 111,859
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	**37,819**	32,804
Amortization of goodwill	**72**	-
Amortization of bond issuance costs	**68**	99
Amortization of original issue premium	**(1,003)**	(1,048)
Gain on extinguishment of NMTC - net	**(2,452)**	-
Gain on sale of land, buildings, and equipment	**(40)**	(8)
Gain on sale of assets held for sale	**(886)**	-
Contributions of nonfinancial assets	**(186)**	(323)
Provision for doubtful accounts	**397**	158
Realized and unrealized losses - net	**2,682**	6,266
Distribution of deferred compensation - net	**(1,327)**	(383)
Change in value of interest rate swaps	**902**	3,342
Proceeds from contributions restricted for investment in permanently restricted net assets	**(7,982)**	(9,747)
Changes in operating assets and liabilities:		
Receivables	**(2,386)**	(2,700)
Pledges	**32,219**	(54,925)
Prepaid expenses and other assets	**(2,868)**	(552)
Operating lease right-of-use assets - net	**94**	-
Accounts payable and accrued expenses	**11,554**	(3,338)
Deferred income and student deposits	**7,943**	7,096
Deposits held in custody for others	**267**	699
Operating lease liabilities	**(84)**	-
Total adjustments	**74,803**	(22,560)
Net cash provided by operating activities	**137,098**	89,299
Cash flows from investing activities		
Proceeds from contributions restricted for investment in permanently restricted assets	**7,982**	9,747
Acquisitions of dental practices	**(1,422)**	-
Purchase of investments, net of sales	**(11,764)**	(16,715)
Proceeds from sale of land, buildings, and equipment	**50**	22
Proceeds from sale of assets held for sale	**1,903**	-
Purchase of land, buildings, and equipment	**(113,865)**	(61,512)
Payments of note receivable	**2**	2
Net cash used in investing activities	**(117,114)**	(68,456)

See accompanying notes to consolidated financial statements.

High Point University

Consolidated Statements of Cash Flows (Concluded)

(Dollars in thousands)

Year ended May 31,		**2023**		2022
Cash flows from financing activities				
Payments of long-term debt		**(8,322)**		(7,892)
Payments of finance lease liabilities		**(769)**		(749)
Change in federal and state student loan funding		**(20)**		(481)
Change in annuities payable		**(9)**		(54)
Net cash used in financing activities		**(9,120)**		(9,176)
Net change in cash and cash equivalents		**10,864**		11,667
Cash and cash equivalents, beginning of year		**59,916**		48,249
Cash and cash equivalents, end of year	**$**	**70,780**	$	59,916

Supplemental disclosures for cash flows:

The University paid approximately $2,940 and $3,285 in interest in 2023 and 2022.

The University paid approximately $0 and $28 for income taxes on unrelated business income in 2023 and 2022.

See accompanying notes to consolidated financial statements.

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 6,000 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.

Due to the donor stipulations, gains and losses on investments are generally reported as increases or decreases in net assets with donor restrictions.

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.

(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. Academic term refers to one of the four following academic periods: spring, fall, summer 1 and summer 2. 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:

May 31,	**2023**	2022
Tuition and fees	**$ 251,361**	$ 236,197
Funded aid	**(10,585)**	(10,124)
Unfunded aid	**(71,305)**	(67,123)
Tuition and fees, net	**$ 169,471**	$ 158,950

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.

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.

1. Summary of Significant Accounting Policies (Continued)

Revenue Recognition (Concluded)

Deferred Income and Student Deposits (Concluded)
As of May 31, 2023 and 2022, net tuition receivables amounted to approximately $1,263 and $759 and deferred income and student deposits relating to student contracts amounted to approximately $19,548 and $16,950. 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 with in 2023 and 2022. Substantially all the beginning balance tuition receivables and student deposits are recognized as revenue in 2023.

The University has a contract with a vendor which includes a deferred gift of approximately $13,557 and $14,354 as of May 31, 2023 and 2022 included in deferred income and student deposits on the consolidated statements of financial position, which will be earned over the life of the contract through May 2040 on a straight-line basis.

As of May 31, 2023 and 2022, deferred income and student deposits include approximately $12,049 and $6,180 of deferred gifts expected to be recognized in a subsequent year and approximately $298 and $25 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

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, 2023 and 2022. 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 reviews each past due balance and sets an allowance based on this analysis and historical collection rates. 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, 2023 and 2022. 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.

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.

1. Summary of Significant Accounting Policies (Continued)

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. The University has adopted the accounting alternative provided by Accounting Standards Update ("ASU") 2019-06. Accordingly, goodwill is stated at cost and is being amortized over ten years using the straight-line method. The University tests goodwill for impairment only upon 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 2023.

Debt Issuance Costs
The unamortized debt issuance costs are presented as a reduction of debt on the consolidated statements of financial position (Note 13). 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.

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.

1. Summary of Significant Accounting Policies (Continued)

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 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.

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.

1. Summary of Significant Accounting Policies (Continued)

Tax Status (Concluded)

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 2023 and 2022. Currently, the statute of limitations remains open subsequent to and including the year ended May 31, 2020; 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 2023 and 2022.

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.

Subsequent Events

Management has evaluated events occurring subsequent to the consolidated statement of financial position date through September 8, 2023, the date that the consolidated financial statements were available to be issued, determining no additional events require adjustment to or additional disclosure in the consolidated financial statements, with the exception of Note 20.

(Dollars in thousands)

1. Summary of Significant Accounting Policies (Concluded)

Recent Accounting Pronouncements

In June 2016, the Financial Accounting Standards Board ("FASB") issued 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 is currently assessing the impact this guidance may have on the University's future consolidated financial statements.

In March 2020, the FASB issued ASU No. 2020-04*, Reference Rate Reform (Topic 848); Facilitation of the Effects of Reference Rate Reform on Financial Reporting*, and in January 2021, issued ASU No. 2021-01, *Reference Rate Reform (Topic 848), Reference Rate Reform*, to assist entities with the potential impacts to the transition from referencing the London Interbank Offered Rate ("LIBOR") and transition to new reference rates. These ASUs provide temporary optional expedients and exceptions for applying generally accepted accounting principles to affected debt contracts, hedging relationships, and other transactions. The amendments in these updates are effective for all entities as of March 12, 2020 through December 31, 2022. Management adopted this standard in 2023 with no material impact on the consolidated financial statements.

2. Acquisitions

In 2023, 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 aggregate, at the acquisition date.

Consideration:	
Cash	$ 1,422
	$ 1,422
Recognized amounts of identifiable assets acquired:	
Equipment	$ 453
Goodwill	969
	$ 1,422

(Dollars in thousands)

3. Liquidity and Availability

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

May 31,		**2023**		2022
Total assets	**$**	**1,128,722**	$	1,058,184
Less:				
Restricted cash accounts		**7,659**		6,293
Investments with donor restrictions		**110,688**		107,201
Annuities		**2,852**		3,038
Deferred compensation		**436**		1,763
Notes receivable, long-term		**8,189**		8,191
Pledges receivable, long-term and restricted		**32,428**		65,409
Prepaid expenses		**2,540**		1,312
Operating lease right-of-use assets, net		**1,045**		-
Assets held for sale		**-**		1,017
Land, buildings, and equipment, net		**839,754**		763,097
Cash surrender value of life insurance		**6,074**		6,370
Goodwill, net		**897**		-
Other assets		**2,770**		1,788
Financial assets available within one year	**$**	**113,390**	$	92,705

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 2023 and 2022.

4. Investments

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

May 31,		**2023**		2022
Equities (cost of $69,830 in 2023 and $68,228 in 2022)	**$**	**75,590**	$	76,217
Fixed income (cost of $25,515 in 2023 and $24,845 in 2022)		**23,965**		23,520
Alternatives (cost of $22,304 in 2023 and $18,699 in 2022)		**27,688**		25,503
Money market funds		**18,851**		9,110
Other		**768**		2,102
Total	**$**	**146,862**	$	136,452

Investments include without donor restrictions and with donor restrictions funds or "endowment" monies of approximately $143,278 and $131,366 as of May 31, 2023 and 2022.

The University paid investment management fees of approximately $528 and $523 in 2023 and 2022.

(Dollars in thousands)

5. Endowment Funds

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.

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**

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, 2023 and 2022, the board designated an additional $9,999 and $9,244 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, 2023 and 2022, the University identified approximately $864 and $414 of net donor-restricted funds that were underwater.

As of May 31, 2022, endowment net assets by type of fund comprised:

	Without Donor Restrictions	With Donor Restrictions	Total
Board-designated endowment funds	$ 29,765	$ -	$ 29,765
Donor-restricted endowment funds	-	108,947	108,947
Total	$ 29,765	$ 108,947	$ 138,712

Certain funds have been board designated for scholarship use.

(Dollars in thousands)

5. Endowment Funds (Continued)

The following summarizes changes in endowment net assets for the year ended May 31, 2022:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	$ 23,094	$ 104,411	$ 127,505
Investment return (loss):			
Interest and dividends, net of fees	312	1,715	2,027
Reinvested interest and dividends, net of fees	-	42	42
Net realized and unrealized losses	(2,625)	(5,278)	(7,903)
Total investment loss	(2,313)	(3,521)	(5,834)
Contributions	-	11,765	11,765
Appropriation for expenditure	(260)	(3,703)	(3,963)
Other transfers	9,244	(5)	9,239
Endowment net assets, end of year	$ 29,765	$ 108,947	$ 138,712

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.

(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, 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**

The following are the assets measured at fair value requiring classification as of May 31, 2022:

	Level 1	Level 2	Level 3	Investments Reported at NAV	Total
Assets:					
Equities	$ 76,217	$ -	$ -	$ -	$ 76,217
Fixed income	23,520	-	-	-	23,520
Alternatives	-	-	-	25,503	25,503
Money market funds	9,110	-	-	-	9,110
Other	2,095	-	7	-	2,102
Fair value of interest rate swap	-	48	-	-	48
Total	$ 110,942	$ 48	$ 7	$ 25,503	$ 136,500

There were no transfers into or out of Level 3 in 2023 or 2022.

7. Receivables from Students

Student receivables are net of an allowance for doubtful accounts totaling approximately $1,845 and $1,465 as of May 31, 2023 and 2022. Student receivables also include Federal Perkins Loans, which are low-interest federally funded student loans that participating schools make to eligible undergraduate students. Federal Perkins Loans are fully reserved as of May 31, 2023 and 2022 and are net of an allowance for doubtful accounts totaling $72. High Point University student loans are made from institutional funds to eligible students enrolled at the University. No interest accrues on these student loans while a student is enrolled at least halftime at any accredited institution of higher education.

(Dollars in thousands)

8. Pledges

Pledges are summarized as follows:

May 31,		**2023**		2022
Less than one year	**$**	**20,361**	$	20,621
One year to five years		**14,474**		37,227
Over five years		**1,334**		13,115
		36,169		70,963
Less allowance for uncollectible pledges		**(1,811)**		(3,979)
Net total	**$**	**34,358**	$	66,984

Pledges are recorded net of present value discounts of approximately $2,353 and $7,896 as of May 31, 2023 and 2022. Pledges received in 2023 and 2022 are being discounted at the rate of 8.25% and 4.00%, which remains constant for the life of the pledge. The range of discounts for all pledges outstanding is 3.25% to 8.25% as of May 31, 2023.

As of May 31, 2023 and 2022, the University had conditional promises to give totaling approximately $67,924 and $79,587. 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

In 2023, the University adopted *ASU 2020-07, Not-for-Profit Entities (Topic 958): Presentation and Disclosures by Not-for-Profit Entities for Contributed Nonfinancial Assets* which requires presentation of contributed nonfinancial assets as a separate line item in the consolidated statements of activities, as well as increased disclosures about such assets. The University adopted ASU 2020-07 retrospectively for all periods presented.

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

Year ended May 31,		**2023**		2022
Equipment	**$**	**141**	$	323
Collectibles		**45**		-
Services		**-**		691
Total	**$**	**186**	$	1,014

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 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 2023 and 2022.

(Dollars in thousands)

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 was valued at the carrying value or fair value less costs to sell as of May 31, 2022. In determining fair value, the University considered prices for comparable sales transactions. 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.

11. Land, Buildings, and Equipment, net

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

May 31,	Life (in Years)	**2023**	2022
Buildings	15-40	**$ 787,960**	$ 766,337
Equipment	3-15	**154,783**	145,012
Land and building improvements	15	**86,710**	83,628
Land		**84,252**	82,658
Construction in progress (Note 15)		**100,312**	22,054
		1,214,017	1,099,689
Less accumulated depreciation		**(374,263)**	(336,592)
Land, buildings, and equipment, net		**$ 839,754**	$ 763,097

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

Year ended May 31,	**2023**	2022
Instruction	**$ 7,809**	$ 6,805
Operating and maintenance of facilities	**1,639**	1,469
Student services	**1,513**	692
Institutional support	**250**	224
Academic support	**1,481**	1,327
Auxiliary enterprises	**24,170**	21,620
Rental expenses	**896**	667
HPU Health, net	**61**	-
Total	**$ 37,819**	$ 32,804

12. Goodwill, net

Goodwill is summarized as follows:

May 31,	**2023**
Goodwill	**$ 969**
Less accumulated amortization	**(72)**
Goodwill, net	**$ 897**

(Dollars in thousands)

12. Goodwill, net (Concluded)

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

Future amortization expense is as follows:

Year ended May 31,		
2024	**$**	**97**
2025		**97**
2026		**97**
2027		**97**
2028		**97**
Thereafter		**412**
	$	**897**

13. Long-term Debt

Long-term debt consists of the following:

May 31,		**2023**		2022
North Carolina Educational Facility, Bonds of 2015	**$**	**52,170**	$	58,412
North Carolina Educational Facility, Bonds of 2021		**41,385**		43,465
North Carolina Educational Facility, Bonds of 2021, unamortized premium		**7,096**		8,099
New Market Tax Credits Financing, net		**-**		2,728
Debt issuance costs, net of accumulated amortization of approximately $256 and $373 in 2023 and 2022		**(434)**		(841)
Total		**100,217**		111,863
Less portion of long-term debt due within one year		**(9,364)**		(9,307)
Long-term portion of long-term debt	**$**	**90,853**	$	102,556

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. Interest was paid in varying semi-annual installments at the variable rate of 82.65% of one-month LIBOR, plus 0.98%. The bond is secured by substantially all assets of the University.

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 4.82% as of May 31, 2023. 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, 2023 and 2022 was approximately $143 and $130.

13. Long-term Debt (Continued)

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, 2023 and 2022 was approximately $7,096 and $8,099.

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, 2023 and 2022 was approximately $113 and $58.

New Market Tax Credits Financing
The New Market Tax Credit QLICI Loan B was payable in varying annual installments ranging from $34 to $135 and interest was paid in varying semi-annual installments at 1.25%.

The University paid approximately $525 in costs associated with the issuance of the New Market Tax Credit QLICI Loan B. Such costs were amortized using the effective interest method over the length of the loan agreement. Accumulated amortization as of May 31, 2022 was approximately $186.

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.

(Dollars in thousands)

13. Long-term Debt (Concluded)

As of May 31, 2023, the aggregate amounts of long-term debt maturing in each of the next five years and thereafter are as follows:

Year ended May 31,		
2024	$	**8,473**
2025		**8,793**
2026		**9,238**
2027		**9,538**
2028		**9,868**
Thereafter		**47,645**
Total		**93,555**
Unamortized premium		**7,096**
Debt issuance costs, net		**(434)**
Total debt	$	**100,217**

In addition, certain of the above agreements contain financial covenants relating to debt service and various nonfinancial covenants.

14. Leases

Lessee

During 2023, the University began leasing dental offices for various terms under long-term, noncancelable operating lease agreements. The dental office lease agreements generally require the University to pay real estate taxes, insurance, and repairs. The leases expire at various dates through June 2028 and provide for renewal options ranging from zero to four 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 and $3,839 with accumulated depreciation of approximately $2,307 and $1,534 as of May 31, 2023 and 2022.

Components of lease expense are as follows:

Year ended May 31,		**2023**		2022
Operating lease expense:				
Fixed rent expense	**$**	**137**	$	-
Variable rent expense		**19**		-
Finance lease expense:				
Amortization of ROU assets		**773**		775
Interest expense		**76**		100
Short-term lease expense		**1,133**		1,183
Net lease expense	**$**	**2,138**	$	2,058

(Dollars in thousands)

14. Leases (Continued)

Cash and noncash activities associated with leases are as follows:

Year ended May 31,	**2023**	2022
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows from operating leases	**$ 113**	$ -
Operating cash flows from finance leases	**76**	100
Financing cash flows from finance leases	**769**	749
Noncash investing and financing activities:		
Additions to ROU assets obtained from:		
New operating lease liabilities	**$ 1,139**	$ -
New finance lease liabilities	**28**	-

Future payments due under operating and finance lease liabilities as of May 31, 2023 are as follows:

	Operating	**Finance**
2024	$ 161	$ 842
2025	164	828
2026	168	8
2027	172	7
2028	159	-
Thereafter	362	-
Total	1,186	1,685
Less effects of discounting	(131)	(81)
Present value of future minimum payments	1,055	1,604
Less portion due within one year	(129)	(789)
Long-term portion of lease obligations, net of current portion	$ 926	$ 815

As of May 31, 2023, the weighted-average remaining lease term of operating leases is 7.37 years and the weighted-average discount rate for operating leases is 3.24%.

As of May 31, 2023 and 2022, the weighted-average remaining lease term of finance leases is 2.00 years and 2.04 years and the weighted-average discount rate for finance leases is 3.34% and 3.26%.

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.

(Dollars in thousands)

14. 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, 2023 are:

Year ended May 31,		
2024	$	**279**
2025		**280**
2026		**256**
2027		**215**
2028		**209**
Thereafter		**3,586**
Total	$	**4,825**

Total cost of the leased assets as of May 31, 2023 and 2022 is $4,404 and $4,932, with a carrying value of approximately $3,976 and $4,566. This includes land, land improvements, and buildings. Total accumulated depreciation associated with the University's leased assets is approximately $429 and $366 as of May 31, 2023 and 2022. Certain lease agreements provide for contingent rentals based on sales in excess of specified levels. In 2023 and 2022, there were no contingent rental revenues earned.

15. 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 $4,299 and $3,023 in 2023 and 2022.

Self-Insured Health Care Plan
The University is self-insured for its employee health benefits program. As of May 31, 2023 and 2022, the University is liable for claims up to $135 per employee annually and aggregate claims up to approximately $10,378 and $7,743 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 $8,111 and $6,919 in 2023 and 2022. Taking the full cost of the medical plan into consideration (including fixed costs and the accrued claims costs listed here), total plan costs in 2023 and 2022 were approximately $9,479 and $8,231. The University has an accrual of approximately $737 and $464 as of May 31, 2023 and 2022 for claims incurred but not reported, which is included in accounts payable and accrued expenses on the consolidated statements of financial position.

15. 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 $376 and $1,763 as of May 31, 2023 and 2022 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 University. The next scheduled vesting date for the plan is December 31, 2023.

The University sponsors a nonqualified deferred compensation plan for a 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 $60 as of May 31, 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 $6,074 and $6,370 as of May 31, 2023 and 2022. The face amount of the life insurance policies totals $85,000. As of May 31, 2023, the University has expected future premium commitments of approximately $4,407 related to the life insurance policies (Note 19).

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 2022, the University and the key employee amended the foregoing employment agreement to extend its term for five additional years (through May 31, 2027) with two additional one-year extensions (June 1, 2027 - May 31, 2028 and June 1, 2028 - May 31, 2029).

The University has accrued approximately $1,000 for performance-based compensation. The agreement accrues 20% each year for five years at which point the compensation is eligible to be paid 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 2023.

Capital Commitments
The University expended approximately $100,312 for buildings and other structures, which are classified as construction in progress as of May 31, 2023. 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 $43,140 related to the expected costs to complete the items currently in construction in progress.

As of May 31, 2023, the University had future commitments in the amount of approximately $6,782 related to outstanding capital calls on alternative investments.

(Dollars in thousands)

15. 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,		**2023**		2022
Less than one year	**$**	**220**	$	20
One year to five years		**690**		55
Net total	**$**	**910**	$	75

Pledges payable are recorded net of present value discounts of approximately $150 as of May 31, 2023. As of May 31, 2023 and 2022, pledges payable is being discounted at the rate of 8.25% and 4.00%, 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.

16. Net Assets

Net assets are available for the following purposes:

May 31,		**2023**		2022
Without donor restrictions				
Net investment in plant	**$**	**68,861**	$	70,685
Designated by the board - Quasi endowment		**39,355**		29,765
Undesignated		**657,647**		574,506
Total net assets without donor restrictions		**765,863**		674,956
With donor restrictions				
Donor restricted endowments perpetual in nature:				
Scholarships		**94,651**		85,868
Subject to expenditures for specified purpose:				
Plant expenditures		**28,827**		24,167
Endowment - cumulative gains, net		**17,483**		23,078
Annual scholarship gifts		**10,696**		10,984
Annuity fund		**1,709**		1,664
Subject to passage of time:				
Time restricted pledges receivable		**21,529**		57,746
Total net assets with donor restrictions		**174,895**		203,507
Total net assets	**$**	**940,758**	$	878,463

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. The University's Quasi endowments were valued at $39,355 and $29,765 as of May 31, 2023 and 2022.

(Dollars in thousands)

16. 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,	**2023**	2022
Operating:		
Scholarships	**$ 10,585**	$ 10,124
Total operating	**10,585**	10,124
Nonoperating:		
Building and equipment	**5,383**	2,903
CARES Act	**-**	3,430
Change in passage of time restriction/other	**43,262**	346
Total nonoperating	**48,645**	6,679
Total released from restrictions	**$ 59,230**	$ 16,803

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

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**

Operating expenses by function and nature for the year ended May 31, 2022:

	Program Expenses	Management and General	Fundraising	Total Expenses
Salaries and wages	$ 56,823	$ 10,987	$ 2,016	$ 69,826
Benefits	10,557	1,805	438	12,800
Advertising	4,106	1	-	4,107
Services	40,980	22,986	649	64,615
Supplies	13,320	7,244	203	20,767
Occupancy and utilities	10,066	6,314	-	16,380
Depreciation	31,912	892	-	32,804
Interest	-	2,992	-	2,992
Total	$ 167,764	$ 53,221	$ 3,306	$ 224,291

(Dollars in thousands)

17. 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:

	2023	2022
Undergraduate		
Tuition and fees	**$ 211,197**	$ 197,055
Funded aid allowance	**(9,531)**	(9,619)
Unfunded aid allowance	**(62,900)**	(59,915)
Cafeteria, residence halls, and other	**91,205**	86,068
Total undergraduate	**229,971**	213,589
Graduate		
Tuition and fees	**40,152**	39,131
Funded aid allowance	**(1,054)**	(505)
Unfunded aid allowance	**(8,405)**	(7,208)
Cafeteria, residence halls, and other	**8,037**	8,920
Total graduate	**38,730**	40,338
Miscellaneous		
Tuition and fees	**12**	12
Cafeteria, residence halls, and other	**1,703**	1,009
Total miscellaneous	**1,715**	1,021
Total	**$ 270,416**	$ 254,948

18. Derivative

The University has executed 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 $52,170 and $58,412 as of May 31, 2023 and 2022. The fair value was an asset of approximately $950 and $48 as of May 31, 2023 and 2022 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 $902 and $3,342 in 2023 and 2022 and is separately stated in the consolidated statements of activities.

19. 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 $33,175 and $22,349 in 2023 and 2022.

Related party pledge receivables are approximately $20,837 and $64,345 as of May 31, 2023 and 2022.

Contributed services from related parties related to programming, management, fundraising, and marketing and amounted to approximately $689 in 2022. There were no contributed services in 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, 2023 and 2022 with premiums payable of approximately $0 and $817 included in accounts payable and accrued expenses on the consolidated statements of financial position as of May 31, 2023 and 2022.

20. Subsequent Events

Subsequent to May 31, 2023 through the issuance of the consolidated financial statements, the University has made various purchases of properties, which total approximately $231.