Centre College of Kentucky

Independent Auditor's Report and Financial Statements

June 30, 2024 and 2023

Contents

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Independent Auditor's Report

Board of Trustees
Centre College of Kentucky
Danville, Kentucky

Opinion

We have audited the financial statements of Centre College of Kentucky, which comprise the statements of financial position as of June 30, 2024 and 2023, and the related statements of activities, functional expenses and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Centre College of Kentucky as of June 30, 2024 and 2023, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of the Financial Statements" section of our report. We are required to be independent of Centre College of Kentucky and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS, we:

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

Forvis Mazars, LLP

Louisville, Kentucky
November 25, 2024

Centre College of Kentucky
Statements of Financial Position
June 30, 2024 and 2023

	2024	2023
ASSETS		
Cash and cash equivalents	$ 16,537,815	$ 2,879,644
Pledges receivable, net	7,887,141	8,020,261
Accounts and loans receivable, less allowance for doubtful accounts of $177,257 and $566,311 in 2024 and 2023, respectively	148,109	673,232
Other receivables	97,277	149,382
Inventories	189,743	185,548
Prepaid expenses	608,652	663,660
Total current assets	25,468,737	12,571,727
Pledges receivable, net	16,797,041	23,599,933
Beneficial interest in trusts	22,561,724	19,112,061
Student loans, less allowance for uncollectible loans of $21,889 in 2024 and 2023	273,583	370,436
Long-term investments		
Assets held in investment pool	355,800,998	357,703,209
Assets held in charitable remainder trusts	4,002,058	4,712,098
Annuity and life income funds	856,223	943,104
Total long-term investments	360,659,279	363,358,411
Other investments	648,119	709,475
Bond funds held by trustee – cash and cash equivalents	510,398	23,246,454
Right-of-use assets – operating leases	341,745	431,343
Property, plant and equipment, net	209,638,512	193,195,650
Funds held in perpetual trusts by others	35,935,392	32,793,660
Total assets	$ 672,834,530	$ 669,389,150

	2024	2023
LIABILITIES AND NET ASSETS		
Current Liabilities		
Current portion of long-term debt	$ 1,908,121	$ 3,764,470
Accounts payable and accrued expenses	4,744,254	5,523,330
Accrued salaries and wages	4,359,456	3,653,079
Current portion of operating lease liabilities	57,600	89,106
Deposits and agency funds	1,712,015	1,210,949
Total current liabilities	12,781,446	14,240,934
Other Liabilities		
Advance from federal government for student loans	116,193	286,545
Annuity payment liability and life income obligations	3,078,188	3,185,205
Long-term debt, net	180,572,120	182,954,500
Operating lease liabilities	284,145	342,237
Total other liabilities	184,050,646	186,768,487
Total liabilities	196,832,092	201,009,421
Net Assets		
Without donor restrictions	153,687,806	154,710,295
With donor restrictions	322,314,632	313,669,434
Total net assets	476,002,438	468,379,729
Total liabilities and net assets	$ 672,834,530	$ 669,389,150

Centre College of Kentucky
Statements of Activities
Years Ended June 30, 2024 and 2023

	2024		
	Without Donor Restrictions	With Donor Restrictions	Total
Revenues, Gains and Other Support			
Tuition and fees, net of financial aid and scholarships of $48,283,265	$ 37,156,964	$ -	$ 37,156,964
Gifts and grants	14,829,750	3,397,277	18,227,027
Federal grants	450,962	-	450,962
Investment return distributed	7,312,800	15,415,710	22,728,510
Auxiliary enterprises, including bookstore and arts center	1,146,658	-	1,146,658
Other income	819,514	909	820,423
Net assets released from restrictions	18,581,535	(18,581,535)	-
Total revenues, gains and other support	80,298,183	232,361	80,530,544
Expenses			
Instructional	27,595,429	-	27,595,429
Academic support	5,037,985	-	5,037,985
Student services	17,653,216	-	17,653,216
Institutional support	12,965,430	-	12,965,430
Operation and maintenance of plant	6,763,948	-	6,763,948
Auxiliary enterprises, including residence halls, food service, bookstore and arts center	15,771,400	-	15,771,400
Total expenses	85,787,408	-	85,787,408
Excess (Deficiency) of Revenues over Expenses	(5,489,225)	232,361	(5,256,864)
Investment return reinvested	4,466,736	8,561,760	13,028,496
Adjustments of actuarial liability for annuity obligations	-	(148,923)	(148,923)
Total other changes in net assets	4,466,736	8,412,837	12,879,573
Change in Net Assets	(1,022,489)	8,645,198	7,622,709
Net Assets at Beginning of Year	154,710,295	313,669,434	468,379,729
Net Assets at End of Year	$ 153,687,806	$ 322,314,632	$ 476,002,438

	2023		
	Without Donor Restrictions	With Donor Restrictions	Total
Revenues, Gains and Other Support			
Tuition and fees, net of financial aid and scholarships of $45,165,395	$ 36,400,208	$ -	$ 36,400,208
Gifts and grants	9,892,740	5,464,005	15,356,745
Federal grants	445,817	-	445,817
Investment return distributed	7,672,098	12,719,671	20,391,769
Auxiliary enterprises, including bookstore and arts center	1,067,410	-	1,067,410
Other income	359,890	(39)	359,851
Net assets released from restrictions	16,216,513	(16,216,513)	-
Total revenues, gains and other support	72,054,676	1,967,124	74,021,800
Expenses			
Instructional	26,376,740	-	26,376,740
Academic support	5,040,588	-	5,040,588
Student services	15,951,967	-	15,951,967
Institutional support	13,534,396	-	13,534,396
Operation and maintenance of plant	7,235,041	-	7,235,041
Auxiliary enterprises, including residence halls, food service, bookstore and arts center	14,035,142	-	14,035,142
Total expenses	82,173,874	-	82,173,874
Excess (Deficiency) of Revenues over Expenses	(10,119,198)	1,967,124	(8,152,074)
Investment return reinvested	(2,788,374)	(4,998,389)	(7,786,763)
Change in fair value of interest rate swaps	2,213,594	-	2,213,594
Adjustments of actuarial liability for annuity obligations	-	(624,545)	(624,545)
Total other changes in net assets	(574,780)	(5,622,934)	(6,197,714)
Change in Net Assets	(10,693,978)	(3,655,810)	(14,349,788)
Net Assets at Beginning of Year	165,404,273	317,325,244	482,729,517
Net Assets at End of Year	$ 154,710,295	$ 313,669,434	$ 468,379,729

Centre College of Kentucky
Statements of Functional Expenses
Years Ended June 30, 2024 and 2023

	Program Activities					2024	Support Activities		2024
	Instructional	Academic Support	Student Services	Auxiliary	Operation of Plant	Total Program	Institutional Support	Fundraising	Total Expenses
Salaries/benefits	$ 18,941,051	$ 2,807,579	$ 8,225,467	$ 2,120,934	$ 3,046,281	$ 35,141,312	$ 4,134,597	$ 2,603,040	$ 41,878,949
Supplies and operational	4,536,321	929,788	5,194,141	6,610,170	2,814,810	20,085,230	4,890,014	95,549	25,070,793
Marketing	-	-	-	103,641	-	103,641	251,360	-	355,001
Travel and professional development	887,178	26,229	298,648	17,670	475	1,230,200	45,091	137,952	1,413,243
Equipment and software	149,204	399,764	53,349	43,826	286,411	932,554	(296,351)	16,196	652,399
Outside services	66,618	63,679	26,913	755,299	327,529	1,240,038	279,836	67,396	1,587,270
Interest	1,394,827	375,160	1,783,262	2,831,172	133,439	6,517,860	342,686	-	6,860,546
Depreciation	1,620,230	435,786	2,071,436	3,288,688	155,003	7,571,143	398,064	-	7,969,207
	$ 27,595,429	$ 5,037,985	$ 17,653,216	$ 15,771,400	$ 6,763,948	$ 72,821,978	$ 10,045,297	$ 2,920,133	$ 85,787,408

	Program Activities					2023	Support Activities		2023
	Instructional	Academic Support	Student Services	Auxiliary	Operation of Plant	Total Program	Institutional Support	Fundraising	Total Expenses
Salaries/benefits	$ 18,527,659	$ 2,855,053	$ 7,503,713	$ 2,381,948	$ 2,966,136	$ 34,234,509	$ 3,672,568	$ 2,472,089	$ 40,379,166
Supplies and operational	3,736,363	1,075,535	4,692,679	6,394,199	3,493,062	19,391,838	6,118,479	96,603	25,606,920
Marketing	-	-	-	106,896	-	106,896	292,922	-	399,818
Travel and professional development	1,581,749	32,898	344,489	14,132	1,061	1,974,329	89,359	118,809	2,182,497
Equipment and software	203,751	381,907	35,465	34,449	386,201	1,041,773	(261,326)	14,264	794,711
Outside services	78,248	53,138	39,028	579,505	230,732	980,651	416,676	76,705	1,474,032
Interest	948,648	270,829	1,407,423	1,908,294	66,583	4,601,777	180,219	-	4,781,996
Depreciation	1,300,322	371,228	1,929,170	2,615,719	91,266	6,307,705	247,029	-	6,554,734
	$ 26,376,740	$ 5,040,588	$ 15,951,967	$ 14,035,142	$ 7,235,041	$ 68,639,478	$ 10,755,926	$ 2,778,470	$ 82,173,874

Centre College of Kentucky
Statements of Cash Flows
Years Ended June 30, 2024 and 2023

	2024	2023
Cash Flows from Operating Activities		
Change in net assets	$ 7,622,709	$ (14,349,788)
Adjustments to reconcile change in net assets to net cash used in operating activities		
Net realized and unrealized gains on long-term and other investments	(21,539,989)	(5,816,164)
Changes in fair values on funds held in trust by others	(3,141,732)	(1,548,968)
Changes in fair value of beneficial interests in trusts	(3,449,663)	(1,695,359)
Contributions restricted for long-term investment	(2,156,073)	(987,742)
Loss on disposal of equipment	-	454,918
Gain on defeasement of bonds	-	(233,651)
Change in fair value of interest rate swaps	-	(2,213,594)
Depreciation expense	7,969,207	6,554,734
Amortization of bond issuance costs	83,955	220,052
Amortization of premium and discount	(568,492)	(576,455)
Changes in annuity payment liability and life income obligations	148,923	624,545
Changes in operating assets and liabilities		
Short-term investments	-	4,212,628
Pledges receivable	6,936,012	646,518
Accounts and loans receivable, net	525,123	(51,383)
Other receivables	52,105	(27,540)
Inventories	(4,195)	6,969
Prepaid expenses	55,008	60,442
Accounts payable and accrued expenses	214,790	737,744
Accrued salaries and wages	706,377	(1,378,799)
Deposits and agency funds	501,066	3,226
Net cash used in operating activities	(6,044,869)	(15,357,667)
Cash Flows from Investing Activities		
Purchase of property, plant and equipment	(25,405,936)	(42,906,076)
Proceeds from sale and maturity of investments	33,221,975	50,251,364
Purchases of investments	(8,921,497)	(26,901,480)
Bond funds held by trustee	22,736,056	13,490,057
Repayments of loans from students	96,853	12,631
Net cash provided by (used in) investing activities	21,727,451	(6,053,504)

Centre College of Kentucky
Statements of Cash Flows
Years Ended June 30, 2024 and 2023 **(Continued)**

	2024	2023
Cash Flows from Financing Activities		
Proceeds from issuance of indebtedness	$ -	$ 69,699,359
Repayments of principal on indebtedness	(3,754,192)	(44,273,479)
Repayment of interest rate swap	-	(5,151,485)
Payments of debt issuance costs	-	(862,366)
Contributions restricted for long-term investment		
Investment in endowment	2,156,073	987,742
Payments of annuity obligations	(255,940)	(438,195)
Receipts of refundable governmental loans	(170,352)	(153,253)
Net cash provided by (used in) financing activities	(2,024,411)	19,808,323
Change in Cash and Cash Equivalents	13,658,171	(1,602,848)
Cash and Cash Equivalents, Beginning of Year	2,879,644	4,482,492
Cash and Cash Equivalents, End of Year	$ 16,537,815	$ 2,879,644
Supplemental Disclosure of Cash Flow Information		
Cash paid for interest	$ 6,504,776	$ 4,561,944
Property and equipment in accounts payable	$ 2,734,271	$ 3,728,137

Note 1. Nature of Operations and Summary of Significant Accounting Policies

Nature of Operations

Centre College of Kentucky (College) is an independent, selective educational community dedicated solely to liberal studies in the arts and sciences as the means to develop the intellectual, personal and moral potential of its students. The College is accredited by the Southern Association of Colleges and Schools and is located in Danville, Kentucky.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues, expenses, gains, losses and other changes in net assets during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

The College considers all liquid investments with original maturities of three months or less to be cash equivalents. Uninvested cash and cash equivalents included in investment accounts, including endowment accounts, are not considered to be cash and cash equivalents. At June 30, 2024 and 2023, cash and cash equivalents consisted primarily of bank deposits and money market funds.

At June 30, 2024, the College's cash accounts, including those within investments, exceeded federally insured limits by approximately $14,680,000.

Bond Funds Held by Trustee

In conjunction with the Series 2018, Series 2021 and Series 2023A&B bond issuances further disclosed in Note 8, the College maintained cash restricted for use and held by the bond trustee at June 30, 2024 and 2023. The funds held in escrow were primarily cash and cash equivalents subject to federally insured limits.

Uninvested cash and cash equivalents included in bond funds held by trustee related to board-designated amounts for replacement, expansion or improvement of facilities and amounts held by trustees related to future capital projects and interest payments on long-term debt are not considered to be cash and cash equivalents with respect to the statements of cash flows.

Accounts and Loans Receivable

Accounts receivable consist of student charges, employee advances and amounts owed from vendors. Payment is due immediately unless the student has been set up on a specific payment plan. Interest is assessed monthly when payments are past due. A reserve for student accounts receivable is established when collection is considered questionable and accounts are written off when the College deems further collection efforts will not produce additional recoveries.

The loans receivable consist of student financial aid granted through the Perkins Student Loan program. The loans are guaranteed by the federal government and bear a current interest rate of 5% and are payable over 10 years upon graduation.

Inventories

Inventories consist of supplies and are carried at the lower of cost or net realizable value. Costs are determined using the first-in, first-out method.

Investments

The College measures securities, other than investments that qualify for the equity method of accounting, at fair value. Investments in private equity funds and hedge funds are recorded at net asset value (NAV), as a practical expedient, to determine fair value of the investments. The College utilizes short-term investments for potential operating needs.

Net Investment Return

Investment return includes dividend, interest and other investment income, realized and unrealized gains and losses on investments carried at fair value and realized gains and losses on other investments, less external and direct internal investment expenses. Gains and losses on the sale of securities are recorded on the trade date and are determined using the specific-identification method.

Investment return that is initially restricted by donor stipulation and for which the restriction will be satisfied in the same year is included in net assets with donor restrictions and then released from restriction. Other investment return is reflected in the statements of activities as with or without donor restrictions based upon the existence and nature of any donor or legally imposed restrictions.

The College maintains pooled investment accounts for its endowments and accounts for them using a “market value” or “unit” method. Investment income and realized and unrealized gains and losses from securities in the pooled investment accounts are allocated to the individual endowments on the basis of the number of units in each account.

Other Investments

Other investments consisting of life insurance policies and other contributed assets are valued at cost (or fair value at time of donation, if acquired by contribution).

Funds Held in Perpetual Trusts by Others

Funds held in perpetual trusts by others represent resources neither in the possession nor under the control of the College, but held and administered by an outside party, with the College deriving income from such funds. These investments are recorded at fair value.

Property and Equipment

Property and equipment are stated at cost or fair value at the date of gift, if donated, and depreciated on a straight-line basis over the estimated useful life of each asset. Generally, expenditures of greater than $5,000 which increase values or extend useful lives of the respective assets are capitalized.

The estimated useful lives for each major depreciable classification of property and equipment are as follows:

Building	20 to 100 years
Building improvements	10 to 20 years
Furniture and equipment	3 to 20 years
Library books	20 years

The College capitalizes interest costs in connection with the construction of capital assets, based on interest costs of borrowing specifically for the project, net of interest earned on investments acquired with the proceeds of the borrowing. Total interest capitalized and incurred each year was:

	2024	2023
Total interest expense incurred on borrowings for project	$ 2,854,940	$ 2,070,700
Interest income from investment of proceeds of borrowings for project	92,178	512,456
Interest expensed on other and completed projects	2,089,562	345,268
Net interest cost capitalized	673,200	1,212,976
Interest costs charged to expense	6,776,591	4,561,944
Total interest incurred	$ 7,449,791	$ 5,774,920
Interest costs charged to expense	$ 6,776,591	$ 4,561,944
Amortization of debt issuance costs	83,955	220,052
Total interest expense	$ 6,860,546	$ 4,781,996

Long-Lived Asset Impairment

The College evaluates the recoverability of the carrying value of long-lived assets whenever events or circumstances indicate the carrying amount may not be recoverable. If a long-lived asset is tested for recoverability and the undiscounted estimated future cash flows expected to result from the use and eventual disposition of the asset are less than the carrying amount of the asset, the asset cost is adjusted to fair value and an impairment loss is recognized as the amount by which the carrying amount of a long-lived asset exceeds its fair value. No asset impairment was recognized during the years ended June 30, 2024 or 2023.

Advances from Federal Government for Student Loans

Funds provided by the U.S. Government under the Federal Perkins Loan program are loaned to qualified students and may be reloaned after collections. These funds are ultimately refundable to the government and, therefore, recorded as a liability in the accompanying financial statements.

Debt Issuance Costs

Debt issuance costs represent costs incurred in connection with the issuance of long-term debt. The College records these costs as direct deductions from the related debt consistent with debt discounts or premiums. Such costs are being amortized over the term of the respective debt using the straight-line method.

Net Assets

Net assets, revenues, gains and losses are classified based on the existence or absence of donor restrictions.

Net assets without donor restrictions are available for use in general operations and not subject to donor restrictions. The governing board has designated, from net assets without donor restrictions, net assets for an operating reserve and board-designated endowment.

Net assets with donor restrictions are subject to donor restrictions. Some restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other restrictions are perpetual in nature, whereby the donor stipulates that resources be maintained in perpetuity.

Tuition and Auxiliary Services Revenue

Tuition revenue is recognized over the term of the semester as the College provides services to students. Revenue is reported at the amount of consideration which the College expects to be entitled in exchange for providing tuition and auxiliary services. The College determines the transaction price based on standard charges for goods and services provided, reduced by discounts provided for scholarships and other price concessions provided to students.

Contributions

Contributions are provided to the College either with or without restrictions placed on the gift by the donor. Revenues and net assets are separately reported to reflect the nature of those gifts—with or without donor restrictions. The value recorded for each contribution is recognized as follows:

Nature of the Gift	Value Recognized
Conditional gifts, with or without restriction	
Gifts that depend on the College overcoming a donor-imposed barrier to be entitled to the funds	Not recognized until the gift becomes unconditional, *i.e.,* the donor-imposed barrier is met
Unconditional gifts, with or without restriction	
Received at date of gift – cash and other assets	Fair value
Received at date of gift – property, equipment, and long-lived assets	Estimated fair value
Expected to be collected within one year	Net realizable value
Collected in future years	Initially reported at fair value determined using the discounted present value of estimated future cash flows technique

In addition to the amount initially recognized, revenue for unconditional gifts to be collected in future years is also recognized each year as the present-value discount is amortized using the level-yield method.

When a donor-stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions. Absent explicit donor stipulations for the period of time that long-lived assets must be held, expirations of restrictions for gifts of land, buildings, equipment and other long-lived assets are reported when those assets are placed in service.

Gifts and investment income that are originally restricted by the donor and for which the restriction is met in the same time period the gift is received, are recorded as revenue with donor restrictions and then released from restriction.

Conditional contributions and investment income having donor stipulations which are satisfied in the period the gift is received and the investment income is earned, are recorded as revenue with donor restrictions and then released from restriction.

Income Taxes

The College is exempt from income taxes under Section 501 of the Internal Revenue Code and a similar provision of state law. However, the College is subject to federal income tax on any unrelated business taxable income. The College files tax returns in the U.S. federal and state jurisdictions.

Student Aid Discounts

Student tuition and fee revenues and certain other revenues from students, are reported net of scholarship allowances in the statements of activities. Scholarship allowances are the difference between the stated charge for goods and services provided by the College and the amount that is paid by students and/or third parties making payments on the students' behalf.

Government Grants

Support funded by grants is recognized as the College meets the conditions prescribed by the grant agreement, performs the contracted services or incurs outlays eligible for reimbursement under the grant agreements. Grant activities and outlays are subject to audit and acceptance by the granting agency and, as a result of such audit, adjustments could be required.

Functional Allocation of Expenses

The costs of supporting the various programs and other activities have been summarized on a functional basis in the statements of activities. The statements of functional expenses present the natural classification detail of expenses by function. Certain costs have been allocated among the program services (instructional, academic support, student services, institutional support, operation and maintenance, and auxiliary enterprises) based on actual direct expenditures and other methods.

Self-Insurance

The College is primarily self-insured for health insurance costs, with losses insured in excess of a maximum amount on both a per claim and annual aggregate claim amount. The self-insurance liability is based on claims filed and an estimate of claims incurred but not yet reported.

Transfers Between Fair Value Hierarchy Levels

Transfers in and out of Level 1 (quoted market prices), Level 2 (other significant observable inputs) and Level 3 (significant unobservable inputs) are recognized on the period ending date. During the years ended June 30, 2024 and 2023, there were no transfers between fair value hierarchy levels.

Note 2. Pledges Receivable

The College receives intentions to give from potential donors throughout the year. However, the College does not record intentions to give in the financial statements until such time, if any, as the potential donor executes an unconditional promise to give or makes a cash donation to the College. Discount rates were 5.6% for 2024 and 4.2% for 2023.

Unconditional promises consisted of the following as of June 30, 2024 and 2023:

	2024			
	Less Than One Year	One Year to Five Years	Over Five Years	Total
Unconditional promises for				
Without donor restriction	$ 113,600	$ 10,000	$ -	$ 123,600
Scholarship funds	2,706,116	1,733,833	-	4,439,949
Buildings and equipment	314,250	418,000	-	732,250
Endowment funds	4,753,175	15,419,750	1,743,056	21,915,981
	7,887,141	17,581,583	1,743,056	27,211,780
Less discount to net present value	-	2,039,396	488,202	2,527,598
	$ 7,887,141	$ 15,542,187	$ 1,254,854	$ 24,684,182

	2023			
	Less Than One Year	One Year to Five Years	Over Five Years	Total
Unconditional promises for				
Without donor restriction	$ 114,900	$ 120,000	$ -	$ 234,900
Scholarship funds	2,690,059	6,332,069	-	9,022,128
Buildings and equipment	418,750	726,250	-	1,145,000
Endowment funds	4,796,552	15,906,173	3,430,556	24,133,281
	8,020,261	23,084,492	3,430,556	34,535,309
Less discount to net present value	-	2,108,135	806,980	2,915,115
	$ 8,020,261	$ 20,976,357	$ 2,623,576	$ 31,620,194

Note 3. Beneficial Interest in Trusts

The College has been named as a beneficiary in several charitable remainder trusts administered by outside parties. Upon termination of the trusts, the College will receive either a specified percentage of the assets or the entire amount remaining in the trusts. Prior to actual termination of the trusts and transfer of the assets, the College records the present value of the estimated residual benefits as assets. At June 30, 2024 and 2023, the residual benefits were valued at $22,561,724 and $19,112,061, respectively. Change in beneficial interests in trusts, net, for 2024 and 2023 was $3,449,663 and $1,695,359 respectively, and is included in gifts and grants revenue in the statements of activities.

Note 4. Funds Held in Perpetual Trusts by Others

The College is the beneficiary under perpetual trusts administered by an outside party. Under the terms of the trusts, the College has the irrevocable right to receive income earned on the trust assets in perpetuity, but never receives the assets held in trust. The estimated value of the expected future cash flows is $35,935,392 and $32,793,660, which represents the fair value of the trust assets at June 30, 2024 and 2023, respectively. The income from these for 2024 and 2023 was $4,477,152 and $3,010,783, respectively. Changes in fair value of funds held in perpetual trusts by others are included in investment return in the statements of activities.

Note 5. Property, Plant and Equipment

Property, plant and equipment consist of the following as of June 30, 2024 and 2023:

	2024	2023
Land and land improvements	$ 20,027,653	$ 20,027,653
Buildings	232,404,600	226,731,198
Furniture and equipment	27,163,690	25,379,067
Construction in progress	46,757,366	29,803,322
	326,353,309	301,941,240
Less accumulated depreciation	116,714,797	108,745,590
	$ 209,638,512	$ 193,195,650

Note 6. Line of Credit

The College has a $10,000,000 revolving line of credit expiring June 30, 2025. At June 30, 2024 and 2023, there was $0 and $2,000,000 borrowed against this line. The line is collateralized by substantially all of the College's assets. For the years ended June 30, 2024 and 2023, interest on advances is payable monthly and varies with the one-month Secured Overnight Financing Rate (SOFR), plus 1%. The one-month SOFR rate was 5.33% and 5.06% at June 30, 2024 and 2023, respectively. See Note 7 for outstanding balance at June 30, 2024 and 2023.

Note 7. Long-Term Debt

Long-term debt consists of the following as of June 30, 2024 and 2023:

	2024	2023
$66,010,000 Kentucky Bond Development Corporation Educational Facilities Revenue and Refunding Revenue Bonds, Series 2023A&B, payable in annual installments commencing June 1, 2025, ranging from $60,000 to $16,875,000 with the final installment due June 1, 2053. Interest is due semiannually at interest rates ranging from 4.06% to 5.72%, with an effective interest rate of 4.40% at June 30, 2024.	$ 66,010,000	$ 66,010,000
$52,825,000 Kentucky Bond Development Corporation Educational Facilities Revenue Bonds, City of Danville Series 2021, payable in annual installments commencing June 1, 2026, ranging from $1,270,000 to $3,250,000, with the final installment due June 1, 2051. Interest is due semiannually at interest rates ranging from 3.0% to 4.0%, with an effective interest rate of 3.60% and 2.22% at June 30, 2024 and 2023, respectively.	52,825,000	52,825,000
$32,425,000 Kentucky Bond Development Corporation Educational Facilities Revenue Bonds, City of Lancaster Series 2018, payable in annual installments commencing June 1, 2033, ranging from $1,560,000 to $20,115,000, with the final installment due June 1, 2048. Interest is due semiannually at interest rates ranging from 4.5% to 5.0%, with an effective interest rate of 4.77% at June 30, 2024 and 2023.	32,425,000	32,425,000
$39,155,000 County of Boyle, Kentucky Educational Facilities Refunding Revenue Bonds, Series 2017, payable in annual installments commencing June 1, 2018, ranging from $1,310,000 to $12,000,000, with the final installment due June 1, 2037. Interest is due semiannually at interest rates ranging from 3.25% to 5.0% with an effective interest rate of 5.62% and 3.16% at June 30, 2024 and 2023, respectively. (A)	22,510,000	24,195,000
Parkhurst Dining, LLC note payable due June 2032 with monthly installments of 10% of the outstanding loan amount at each month plus interest at 4.5%; secured by all equipment and improvements purchased with the funds.	794,736	863,928

	2024	2023
PNC Committed Revolving Line of Credit with no installments due until the expiration date of June 30, 2025. Interest is payable monthly at a rate equal to daily SOFR, plus 1.00%.	-	2,000,000
	174,564,736	178,318,928
Unamortized net premium of 2017, 2018, 2021 and 2023A&B Bonds	9,929,941	10,498,433
Debt issuance costs	(2,014,436)	(2,098,391)
	182,480,241	186,718,970
Less current portion	1,908,121	3,764,470
	$ 180,572,120	$ 182,954,500

(A) Certain proceeds from the Series 2023A&B Bonds were used to legally defease the remaining outstanding $34,385,000 County of Boyle, Kentucky College Refunding and Improvement Revenue Bonds, Series 2008A and $6,275,000 County of Boyle, Kentucky Educational Facilities Revenue Bonds, Series 2017 during the year ended June 30, 2023.

The long-term debt is secured by substantially all of the College's assets. The bond agreements and line of credit agreement contain certain financial covenants that require the College to maintain certain debt ratios, a certain liquidity ratio and certain other guidelines or limitations related to the College's indebtedness.

Scheduled maturities of long-term debt at June 30, 2024 are as follows:

2025	1,908,121
2026	3,401,941
2027	3,910,935
2028	4,095,113
2029	4,289,483
Thereafter	156,959,143
	$ 174,564,736

Note 8. Leases

Accounting Policies

The College determines if an arrangement is a lease or contains a lease at inception. Leases result in the recognition of right-of-use (ROU) assets and lease liabilities on the statements of financial position. 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, measured on a discounted basis. The College determines lease classification as operating or finance at the lease commencement date.

The College accounts for the lease and nonlease components separately for leases. The College allocates the consideration to the lease and nonlease components using their relative standalone values.

At lease inception, the lease liability is measured at the present value of the lease payments over the lease term. The ROU asset equals the lease liability adjusted for any initial direct costs, prepaid or deferred rent, and lease incentives. The College has made a policy election to use a risk-free rate (the rate of a zero-coupon U.S. Treasury instrument) for the initial and subsequent measurement of all lease liabilities. The risk-free rate is determined using a period comparable with the lease term.

The College has elected not to record leases with an initial term of 12 months or less on the statements of financial position. Lease expense on such leases is recognized on a straight-line basis over the lease term.

Nature of Leases

The College has entered into the following lease arrangements:

Operating Leases

The College has leases for office space that expire in various years through 2030. These leases require the College to pay all executory costs (property taxes, maintenance and insurance). Termination of the leases is generally prohibited unless there is a violation under the lease agreement.

Short-Term Leases

The College leases certain space on a short-term basis. The expected lease term is less than 12 months. Total lease expense included in operating expenses for the years ended June 30, 2024 and 2023, was $11,321 and $25,321, respectively.

All Leases

The College has no material related-party leases.

Quantitative Disclosures

The lease cost and other required information for the years ended June 30, 2024 and 2023 are:

	2024	2023
Lease cost		
Operating lease expense	$ 89,598	$ 89,105
Short-term lease expense	11,321	25,321
Total	$ 100,919	$ 114,426
Other information		
Cash paid for amounts included in the measurement of lease liabilities		
Operating cash flows from operating leases	$ 89,598	$ 89,105
Weighted-average remaining lease term in years for operating leases	5.8	6.0
Weighted-average discount rate for operating leases	0.7%	0.6%

Future minimum lease payments and reconciliation to the statements of financial position at June 30, 2024, are as follows:

2025	59,806
2026	59,806
2027	59,806
2028	59,806
2029	59,806
Thereafter	49,839
	348,869
Less interest	(7,124)
	$ 341,745

Note 9. Annuities and Trusts Payable

The College has been the recipient of and serves as trustee of several trust and gift annuities which require future payments to the donor or their named beneficiaries. The assets received from the donor are recorded at fair value. The College has recorded a liability at June 30, 2024 and 2023, of $3,078,188 and $3,185,205, respectively, which represents the present value of the future annuity obligations. The liability has been determined using the discount rates ranging from 1% to 8% based on the annuitant's life expectancy and stated return of each annuity agreement.

Note 10. Revenue from Contracts with Students

Tuition, Residential Services and Meal Plan Revenue

Revenue from contracts with students for tuition, residential services and meal plan services is reported at the amount that reflects the consideration to which the College expects to be entitled in exchange for providing instruction and housing, food and other services. These amounts are due from students, third-party payers and others and includes variable consideration for institutional scholarships and awards.

Revenue is recognized as performance obligations are satisfied, which is ratably over the academic term. Generally, the College bills students prior to the beginning of the semester. Under the term payment plan, student accounts receivable are due in full before classes begin. The monthly payment plan option offers a five- or four-month payment option for the fall and spring terms.

If a student withdraws prior to the beginning of the academic term, the student is entitled to a full refund. If a student withdraws within the first week of the beginning of the academic term, the student is entitled to an 80% refund. If a student withdraws during the second week of the academic term, the student is entitled to a 60% refund. If a student withdraws during the third week of the academic term, the student is entitled to a 40% refund. If a student withdraws during the fourth week of the academic term, the student is entitled to a 20% refund. No refunds are awarded after the end of the fourth week of the academic term. The College determines the refund liability at year-end based on actual experience subsequent to year-end.

Tuition, residential services, and meal plan services revenue are considered to be separate performance obligations. The College allocates the fees charged to students to tuition and housing, food and other services based on a comprehensive fee charged to students for tuition and those other services.

Transaction Price and Recognition

The College determines the transaction price based on standard charges for goods and services provided, reduced by certain institutional scholarships and aid provided in accordance with the College's policy for granting merit based aid. The College determines its estimates of explicit price concessions based on its discount policies and merit awards.

From time to time, the College will incur student credit balances and student deposits which represent the excess of tuition and fees and other student payments received as compared to amounts recognized as revenue. These amounts are excluded from revenues and are recorded as liabilities until they are refunded. As of June 30, 2024 and 2023, the College has a liability for refunds or deposits to students recorded of approximately $635,000 and $399,000, respectively.

Performance Obligations and Transaction Price Allocated to Remaining Performance Obligations

Because all of its performance obligations relate to contracts with a duration of less than one year, the College has elected to apply the optional exemption provided in Financial Accounting Standards Board Accounting Standards Codification 606-10-50-14(a) and, therefore, is not required to disclose the aggregate amount of the transaction price allocated to performance obligations that are unsatisfied or partially unsatisfied at the end of the reporting period. The unsatisfied or partially unsatisfied performance obligations referred to above are primarily related to providing instruction and housing to students. The performance obligations for these contracts are generally completed when the academic term is completed.

Contract Balances

The following table provides information about the College's receivables from contracts with customers:

	2024	2023
Student accounts and loans receivable, beginning of year	$ 502,863	$ 687,400
Student accounts and loans receivable, end of year	$ 285,390	$ 502,863

Disaggregation of Revenue

The composition of revenue by segment for the years ended June 30, 2024 and 2023, is as follows:

	2024	2023
Tuition and fees, net	$ 37,156,964	$ 36,400,208
Bookstore	57,407	90,256
Norton Arts Center	622,975	539,806
Fitness center/summer camps	363,103	292,783
Other	103,173	144,565
	$ 38,303,622	$ 37,467,618

The College bills tuition, housing, and meal plans as a single comprehensive fee. All revenue from this fee is earned within the fiscal year. As such, presentation of disaggregation of tuition and fees revenue is not considered necessary. Tuition and fees, net and fitness center summer camps are revenue transferred over time, while bookstore, Norton Arts Center and other are point in time.

Note 11. Contributed Nonfinancial Assets

The College's contributed nonfinancial assets consist of donated property. The College holds these assets once received until they are sold in the near term. The fair value of these properties is estimated by obtaining a third-party appraisal. During the years ended June 30, 2024 and 2023, no amounts were recorded for donated property in the statements of activities.

Note 12. Retirement Plans

The College has retirement plans for the benefit of all eligible employees through contracts with the Teachers Insurance and Annuity Association of America. Contract premium costs are based on a specified percentage of each employee's annual salary and are funded as they accrue. Total cost to the College under these defined contribution plans was $2,712,782 and $2,512,305 for 2024 and 2023, respectively.

Note 13. Self-Funded Health Insurance

The College maintains a self-funded health insurance plan for all full-time employees and their eligible dependents. Funded amounts are based on claims processed and submitted for payment on a weekly basis by a third-party plan administrator. Stop-loss liability insurance purchased by the College reimburses for individual claims beyond $100,000 and aggregate claims beyond $4,797,297.

Total medical insurance cost to the College under this plan was $4,434,618 and $4,172,847 for 2024 and 2023, respectively, and is included in institutional expense on the statements of activities. A liability of $526,000 and $385,933 as of June 30, 2024 and 2023, respectively, has been recorded by the College, for estimated claims incurred but not reported on that date and is included in accrued expenses on the statements of financial position.

Note 14. Disclosures About Fair Value of Assets and Liabilities

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value measurements must maximize the use of observable inputs and minimize the use of unobservable inputs. There is a hierarchy of three levels of inputs that may be used to measure fair value:

Level 1 Quoted prices in active markets for identical assets or liabilities

Level 2 Observable inputs other than Level 1 prices, such as quoted prices for similar assets or liabilities, quoted prices in markets that are not active or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities

Level 3 Unobservable inputs supported by little or no market activity and are significant to the fair value of the assets or liabilities

Recurring Measurements

The following tables present the fair value measurements of assets and liabilities recognized in the accompanying statements of financial position measured at fair value on a recurring basis and the level within the fair value hierarchy in which the fair value measurements fall at June 30, 2024 and 2023:

	Fair Value Measurements at June 30, 2024, Using				
	Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Net Asset Value (A)	Total
Equities					
Large cap	$ 15,129,844	$ 70,648,606	$ -	$ -	$ 85,778,450
Small cap	-	31,780,417	-	-	31,780,417
International equities	46,545,888	-	-	-	46,545,888
Alternative public equities	-	-	-	33,912,580	33,912,580
Private equity	-	-	-	136,468,882	136,468,882
Fixed income mutual funds					
Government bonds	18,493,290	-	-	-	18,493,290
Corporate bonds	1,480,467	-	-	-	1,480,467
Funds held in perpetual trusts by others	-	-	35,935,392	-	35,935,392
Beneficial interest in trusts	-	-	22,561,724	-	22,561,724
Total	$ 81,649,489	$ 102,429,023	$ 58,497,116	$ 170,381,462	$ 412,957,090

	Fair Value Measurements at June 30, 2023, Using				
	Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Net Asset Value (A)	Total
Equities					
Large cap	$ 27,552,918	$ 66,702,592	$ -	$ -	$ 94,255,510
Small cap	-	30,108,615	-	-	30,108,615
International equities	42,859,010	-	-	-	42,859,010
Alternative public equities	-	-	-	37,354,303	37,354,303
Private equity	-	-	-	135,999,368	135,999,368
Fixed income mutual funds					
Government bonds	8,898,988	-	-	-	8,898,988
Corporate bonds	1,407,550	-	-	-	1,407,550
Funds held in perpetual trusts by others	-	-	32,793,660	-	32,793,660
Beneficial interest in trusts	-	-	19,112,061	-	19,112,061
Total	$ 80,718,466	$ 96,811,207	$ 51,905,721	$ 173,353,671	$ 402,789,065

(A) Certain investments that are measured at fair value using the NAV per share (or its equivalent) practical expedient have not been classified in the fair value hierarchy. The fair value amounts included above are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the statements of financial position.

Following is a description of the valuation methodologies and inputs used for assets and liabilities measured at fair value on a recurring basis and recognized in the accompanying statements of financial position, as well as the general classification of such assets and liabilities pursuant to the valuation hierarchy. There have been no significant changes in the valuation techniques during the year ended June 30, 2024. For assets classified within Level 3 of the fair value hierarchy, the process used to develop the reported fair value is described below:

Equities and Bonds: The fair values of large cap equities, small cap equities, international equities and government and corporate bond mutual funds are determined by obtaining quoted prices on nationally recognized securities exchanges (Level 1 inputs). Certain large cap equities and alternative equities are determined by quoted market prices of similar securities with similar due dates or matrix pricing, which is a mathematical technique widely used in the industry to value large cap and alternative private equities without relying exclusively on quoted prices for the specific securities, but rather by relying on the securities' relationship to other benchmark quoted securities (Level 2 inputs).

Funds Held in Perpetual Trusts Held by Others and Beneficial Interests: The fair value of the funds held in perpetual trust assets (or any type of beneficial interest) is based on a valuation model that calculates the present value of estimated distributed income. The valuation model incorporates assumptions that market participants would use in estimating future distributed income. The College is able to compare the valuation model inputs and results to widely available published industry data for reasonableness, but because interests in perpetual trusts are not redeemable, they are classified as a Level 3 input (income approach). Real estate and energy- related holdings within the funds held in perpetual trust assets are recorded based on annual appraised values.

Alternative Investments: For other investments for which there is no active market, generally referred to as "alternative investments," such as alternative public and private equities, the fair values are initially based on valuations determined by the investment managers using NAVs as of their most recent statements, adjusted for cash receipts, cash disbursements and other anticipated income or loss through June 30. The NAVs of the investment funds are determined on the accrual basis of accounting in conformity with U.S. generally accepted accounting principles; in certain instances, secondary investments require reporting other than U.S. generally accepted accounting principles such as International Financial Reporting Standards or tax basis accounting, in which case the investment managers adjust values to more accurately comply with U.S. generally accepted accounting principles. The managers utilize standard valuation procedures and policies to assess the fair value of the underlying investment holdings to derive NAV. For holdings in marketable securities listed on national securities exchanges, the values represent the publicly traded values, and holdings in private securities are generally valued using the mark-to-market method, which attempts to apply a fair value standard by referring to meaningful third-party transactions, comparable public market valuations, appraisals and/or the income approach.

College management has done considerable independent review of valuations reported by investment managers and determined that NAV is a reasonable and prudent estimate of fair value. Alternative investments are not readily marketable and their estimated value is subject to uncertainty. Therefore, there may be a material difference between their estimated value and the value that would have been used had a readily determinable fair value for such investments existed.

Alternative Investments

Investments in certain entities measured at fair value using the net asset value per share as a practical expedient consist of the following:

	Balance at June 30, 2024	Unfunded Commitments	Redemption Notice	Redemption Frequency
Private equity	$ 136,468,882	$ 48,483,923	N/A	Restricted
Alternative asset funds	$ 33,912,580	$ -	90–95 Days	Quarterly and Semiannually

	Balance at June 30, 2023	Unfunded Commitments	Redemption Notice	Redemption Frequency
Private equity	$ 135,999,368	$ 49,299,440	N/A	Restricted
Alternative asset funds	$ 37,354,303	$ -	90–95 Days	Quarterly and Semiannually

Description of Alternative Investments Strategy and Liquidity

As of June 30, 2024 and 2023, the College's alternative investments consisted of private equity funds and alternative asset funds. Additional disclosure relative to the underlying strategies for these types of investments is as follows:

Strategies for Private Equities: These funds invest in private capital, such as limited partnerships, securities of companies in both domestic and international markets and securities in companies undergoing financial distress, operating difficulties or restructuring through fund investments or co-investments. These investments are long term in duration and may provide little, if any, current income. The investments in private equity do not allow for withdrawals from the partnership until the partnership is dissolved, unless special approval is obtained by the general partner. In nearly all of the partnerships, there are special provisions that allow for the life of the partnership to be extended beyond the original dissolution date.

Strategies for Alternative Asset Funds: These funds have broadly diversified strategies and are designed to target attractive risk-adjusted returns and lower volatility than most traditional asset classes. These strategies generally aim to have a low beta to equity, credit and interest rate markets, achieved through a highly diversified combination of allocations to hedge fund managers and customized vehicles.

Level 3 Reconciliation

The table below presents a reconciliation and statement of activities classification of gains and losses for all assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3) for the year ended June 30, 2024:

	Funds Held in Trust by Others	Beneficial Interest in Trusts
Beginning balance	$ 32,793,660	$ 19,112,061
Sales and disbursements	(1,335,422)	-
Unrealized losses	705,052	-
Interest and dividends	813,031	-
Realized gains	3,122,978	-
Investment fees	(163,907)	-
Change in fair value of investments	-	3,449,663
Ending balance	$ 35,935,392	$ 22,561,724

The table below presents a reconciliation and statement of activities classification of gains and losses for all assets measured at fair value on a recurring basis using significant unobservable inputs (Level 3) for the year ended June 30, 2023:

	Funds Held in Trust by Others	Beneficial Interest in Trusts
Beginning balance	$ 31,244,692	$ 17,416,702
Sales and disbursements	(1,461,815)	-
Unrealized losses	212,411	-
Interest and dividends	1,108,700	-
Realized gains	1,922,908	-
Investment fees	(233,236)	-
Change in fair value of investments	-	1,695,359
Ending balance	$ 32,793,660	$ 19,112,061

Unobservable (Level 3) Inputs

The following table presents quantitative information about unobservable inputs used in recurring Level 3 fair value measurements.

	Fair Value at June 30, 2024	Fair Value at June 30, 2023	Valuation Technique	Unobservable Inputs	Range (Weighted Average)
Funds held in perpetual trusts by others	$ 35,935,392	$ 32,793,660	Present value of future cash flows	Discount rate	N/A
Beneficial interest in trusts	$ 22,561,724	$ 19,112,061	Present value of future cash flows	Growth factor Discount rate	4% 2.8%

The significant unobservable inputs used in the fair value measurement of the College's funds held in perpetual trusts by others and beneficial interest in trusts are discount rates and the future distributions expected to be received from the trust assets. Significant change in the discount rate could materially impact fair value measurement.

Note 15. Net Assets

Net Assets with Donor Restrictions

Net assets with donor restrictions at June 30, 2024 and 2023 are restricted for the following purposes or periods:

	2024	2023
Subject to expenditure for specified purpose		
Other program purposes	$ 1,600,133	$ 1,148,475
Restricted scholarship funds	513,158	1,421,846
Loan funds	198,986	198,986
Contributions receivable, net		
Scholarship funds or other program expenses	805,729	3,712,648
Capital projects	20,774,681	23,113,424
Beneficial interests in trusts	22,561,724	19,112,061
	46,454,411	48,707,440
Endowments		
Subject to appropriation and expenditure when a specified event occurs		
Restricted by donors for		
Financial aid	60,975,698	57,226,519
Educational and general	20,391,806	19,201,307
Other	3,104,169	2,916,013
Underwater	(672,901)	(893,552)
	83,798,772	78,450,287
Subject to NFP endowment spending policy and appropriation		
Financial aid	108,758,591	104,990,977
Educational and general	37,390,790	36,790,358
Other	4,925,412	4,532,042
	151,074,793	146,313,377
Not subject to spending policy or appropriation		
Funds held in perpetual trusts by others	35,935,392	32,793,660
Annuity and trust funds	1,947,493	2,610,547
Contributions receivable	3,103,771	4,794,123
	40,986,656	40,198,330
	$ 322,314,632	$ 313,669,434

Net Assets Without Donor Restrictions

Net assets without donor restrictions at June 30, 2024 and 2023 have been designated for the following purposes:

	2024	2023
Board-designated endowment	$ 63,516,131	$ 69,800,253
Board-designated endowment – capital improvements fund	63,129,421	61,353,326
Board-designated for health insurance	526,000	535,000
Loan funds	103,762	124,514
Board-designated for capital projects	17,853,099	14,225,658
Undesignated	8,559,393	8,671,544
Net assets without donor restrictions	$ 153,687,806	$ 154,710,295

Net Assets Released from Restrictions

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by donors. The purpose of the restricted contributions released during 2024 and 2023 is as follows:

	2024	2023
Restricted contributions for		
Instruction	$ 5,585,668	$ 5,032,211
Academic support	121,772	158,393
Student services	1,068,207	1,071,371
Institutional support	237,055	-
Operation of plant	3,940	103,979
Student aid	11,382,487	9,674,870
	18,399,129	16,040,824
Auxiliary enterprises	182,406	175,689
Total net assets released from restrictions	$ 18,581,535	$ 16,216,513

Note 16. Endowment

The College's endowment includes both donor-restricted endowment funds and funds designated by the board of trustees to function as endowments. As required by applicable standards, net assets associated with endowment funds, including funds designated by the board of trustees to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

The College's governing body has interpreted the *State of Kentucky Prudent Management of Institutional Funds Act* (SPMIFA) as requiring 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 College classifies amounts in its donor-restricted endowment funds as net assets with donor restrictions because those net assets are time restricted until the governing body appropriates such amounts for expenditures. Most of those net assets also are subject to purpose restrictions that must be met before being reclassified as net assets without donor restrictions. In accordance with SPMIFA, the College considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

1. Duration and preservation of the fund
2. Purposes of the College and the fund
3. General economic conditions
4. Possible effect of inflation and deflation
5. Expected total return from investment income and appreciation or depreciation of investments
6. Other resources of the College
7. Investment policies of the College

The composition of net assets by type of endowment fund as of June 30, 2024:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment assets			
Donor-restricted funds			
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor	$ -	$ 191,407,106	$ 191,407,106
Accumulated investment gains	-	84,453,115	84,453,115
Board-designated funds	126,645,552	-	126,645,552
Total endowment assets	126,645,552	275,860,221	402,505,773
Permanently restricted loan funds	-	198,986	198,986
Total endowment and restricted loan funds	$ 126,645,552	$ 276,059,207	$ 402,704,759

The composition of net assets by type of endowment fund as of June 30, 2023:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment assets			
Donor-restricted funds			
Original donor-restricted gift amount and amounts required to be maintained in perpetuity by donor	$ -	$ 185,888,860	$ 185,888,860
Accumulated investment gains	-	79,073,135	79,073,135
Board-designated funds	131,153,582	-	131,153,582
Total endowment assets	131,153,582	264,961,995	396,115,577
Permanently restricted loan funds	-	198,986	198,986
Total endowment and restricted loan funds	$ 131,153,582	$ 265,160,981	$ 396,314,563

Changes in endowment net assets for the years ended June 30, 2024 and 2023 were:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment Assets, July 1, 2023	$ 131,153,582	$ 264,961,995	$ 396,115,577
Investment return			
Realized and unrealized gains (losses)	13,571,806	22,764,523	36,336,329
Interest and dividends, net of investment fees	(382,367)	1,392,735	1,010,368
Total investment return	13,189,439	24,157,258	37,346,697
Contributions (transfers)	(10,384,669)	2,156,678	(8,227,991)
Appropriation of endowment assets for expenditure	(7,312,800)	(15,415,710)	(22,728,510)
Endowment assets, June 30, 2024	126,645,552	275,860,221	402,505,773
Permanently restricted loans, (no activity for year)	-	198,986	198,986
Total endowment and restricted loan funds	$ 126,645,552	$ 276,059,207	$ 402,704,759

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment Assets, July 1, 2022	$ 144,295,309	$ 265,872,550	$ 410,167,859
Investment return			
Realized and unrealized gains	5,735,730	6,915,224	12,652,954
Interest and dividends, net of investment fees	(375,728)	511,150	135,422
Total investment return	5,362,002	7,426,374	12,788,376
Contributions (transfers)	(10,831,631)	4,382,742	(6,448,889)
Appropriation of endowment assets for expenditure	(7,672,098)	(12,719,671)	(20,391,769)
Endowment assets, June 30, 2023	131,153,582	264,961,995	396,115,577
Permanently restricted loans, (no activity for year)	-	198,986	198,986
Total endowment and restricted loan funds	$ 131,153,582	$ 265,160,981	$ 396,314,563

Investment and Spending Policies

The College has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs and other items supported by its endowment while seeking to maintain the purchasing power of the endowment. Endowment assets include those assets of donor-restricted endowment funds the College must hold in perpetuity or for donor-specified periods, as well as those of board-designated endowment funds. Under the College's policies, endowment assets are invested in a manner that is intended to adequately support the College's current financial needs, while preserving assets for future generations while providing long-term growth of income and principal.

The objective shall be accomplished utilizing a diversified strategy of public and private equities, including traditional long-only public equity portfolios, as well as low-leverage flexible capital strategies and fixed income strategies in a mix that is conclusive to participation in rising markets, while allowing for adequate protection in falling markets. The fund will be managed on a total return basis, consistent with applicable standard of conduct set forth in the *Kentucky Uniform Prudent Management of Institutional Funds Act* (Kentucky UPMIFA).

The College has a spending policy of appropriating for expenditure each year 5% of its endowment fund's average fair value based on a 12-quarter moving average. In establishing this policy, the College considered the long-term expected return on its endowment. This is consistent with the College's objective to maintain the purchasing power of endowment assets held in perpetuity or for a specified term, as well as to provide additional real growth through new gifts and investment return.

Underwater Endowments

The governing body of the College has interpreted SPMIFA as not requiring the maintenance of purchasing power of the original gift amount contributed to an endowment fund, unless a donor stipulates the contrary. As a result of this interpretation, when reviewing its donor-restricted endowment funds, the College considers a fund to be underwater if the fair value of the fund is less than the sum of:

a) the original value of initial and subsequent gift amounts donated to the fund and

b) any accumulations to the fund that are required to be maintained in perpetuity in accordance with the direction of the applicable donor gift instrument.

The College has interpreted SPMIFA to permit spending from underwater funds in accordance with the prudent measures required under the law.

At June 30, 2024 and 2023, funds with original gift values of $188,178,287 and $181,094,737, fair values of $272,756,450 and $260,167,872, and deficiencies of $672,901 and $893,552, respectively, were reported in net assets with donor restrictions. These deficiencies resulted from unfavorable market fluctuations that occurred shortly after investment of new restricted contributions and continued appropriation for certain purposes that was deemed prudent by the governing body.

The College has a policy that permits spending from underwater endowment funds depending on the degree to which the fund is underwater, unless otherwise precluded by donor stipulations or laws and regulations. No amounts were appropriated by the governing board for expenditure from underwater endowment funds during the year.

Note 17. Liquidity and Availability

Financial assets available for general expenditure, that is, without donor or other restrictions limiting their use, within one year of June 30, 2024 and 2023, comprise the following:

	2024	2023
Cash and cash equivalents	$ 16,537,815	$ 2,879,644
Accounts receivable, net	148,109	673,232
Payout from endowment for use over next 12 months	28,238,531	25,084,678
	$ 44,924,455	$ 28,637,554

The governing body of the College has designated a portion of its unrestricted resources for endowment and other purposes. These funds are invested for long-term appreciation and current income, but remain available and may be spent at the discretion of the governing body. At June 30, 2024 and 2023, the following amounts were designated for specific purposes by the governing body:

	2024	2023
Quasi-endowment funds	$ 63,516,131	$ 69,800,253
Capital improvement fund	63,129,421	61,353,326
	$ 126,645,552	$ 131,153,579

The College receives significant contributions restricted by donors and considers contributions restricted for programs which are ongoing, major and central to its annual operations to be available to meet cash needs for general expenditures. For the years ended June 30, 2024 and 2023, restricted contributions of $2,156,073 and $987,742, respectively, were included in financial assets available to meet cash needs for general expenditures within one year.

The College's endowment funds consist of donor-restricted endowments and funds designated by the board as endowments. Income from donor-restricted endowments is restricted for specific purposes, with the exception of the amounts available for general use. Donor-restricted endowment funds are not available for general expenditure.

The board-designated endowment of $126,645,552 as of June 30, 2024, is subject to an annual spending rate of 5% as described in Note 16. Although the College does not intend to spend from this board-designated endowment (other than amounts appropriated for general expenditure as part of the board's annual budget approval and appropriation), these amounts could be made available if necessary. To help manage unanticipated liquidity needs, the College has committed a line of credit in the amount of $10,000,000 which it could draw upon.

The College manages its liquidity and reserves following three guiding principles: operating within a prudent range of financial soundness and stability, maintaining adequate liquid assets to fund near-term operating needs and maintaining sufficient reserves to provide reasonable assurance that long-term obligations will be discharged.

Note 18. U.S. Department of Education Financial Responsibility Ratio Information

The following information is required by the U.S. Department of Education for the year ended June 30, 2024:

	2024
Property, plant, and equipment, net of accumulated depreciation – pre-implementation	$ 87,293,195
Property, plant, and equipment, net of accumulated depreciation – post-implementation with outstanding debt for original purchase	67,939,878
Property, plant, and equipment, net of accumulated depreciation – post-implementation without outstanding debt for original purchase	7,648,073
Construction in progress	46,757,366
Total property, plant and equipment, net	$ 209,638,512
Unsecured related-party receivable	$ 12,759,931

Note 19. Related Parties

The College analyzes each year their relationships with various related parties through the conflict of interest policy. Members of management and board members disclose those vendors or businesses in which they have involvement and significant relationships are disclosed on the annual Form 990. As of June 30, 2024, approximately $12,760,000 of pledges are from related parties.

Note 20. Significant Estimates and Concentrations

Accounting principles generally accepted in the United States of America require disclosure of certain significant estimates and current vulnerabilities due to certain concentrations. Those matters include the following:

General Litigation

The College is subject to claims and lawsuits that arise primarily in the ordinary course of its activities. It is the opinion of management that the disposition or ultimate resolution of such claims and lawsuits will not have a material adverse effect on the financial position, change in net assets and cash flows of the College.

Pooled Investment Funds and Alternative Investments

The College has invested in pooled investment funds, funds of funds and limited partnerships generally consisting of investments in private equity funds. These fair values have been estimated by management in the absence of readily determinable fair values. Management's estimates are based on the latest information provided by the fund manager or the general partners. Ongoing review and assessment is made by the College's management to incorporate other transactions, activity and factors to estimate fair value at the financial statement date due to the latest information provided by the fund management or the general partners not always being as of the College's financial statement date. Fair value estimation for these investments is inherently subjective as it requires estimates that are susceptible to significant revision as more information becomes available.

Investments

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

Note 21. Subsequent Events

Subsequent events have been evaluated through November 25, 2024, which is the date the financial statements were issued.