

# **Misericordia University**

Financial Statements

June 30, 2024 and 2023

# Misericordia University

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## **Independent Auditors' Report**

To the Board of Trustees of  
Misericordia University

### **Opinion**

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

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

### **Basis for Opinion**

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

### **Responsibilities of Management for the Financial Statements**

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

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

### **Auditors' Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than 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 the University's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the University's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings and certain internal control-related matters that we identified during the audit.

*Baker Tilly US, LLP*

Pittston Pennsylvania  
October 3, 2024

# Misericordia University

Statements of Financial Position  
June 30, 2024 and 2023

	2024	2023		2024	2023
<b>Assets</b>			<b>Liabilities and Net Assets</b>		
<b>Current Assets</b>			<b>Current Liabilities</b>		
Cash and cash equivalents	\$ 1,672,232	\$ 6,851,126	Current portion of bonds and notes payable	\$ 1,187,419	\$ 1,361,932
Short-term investments	9,172,430	13,973,201	Current portion of finance lease obligations	491,227	351,902
Accounts receivable:			Current portion of operating lease obligations	204,968	117,739
Students, net	1,041,442	973,247	Accounts payable, trade	1,319,448	1,178,435
Government agencies	4,749,083	1,554,900	Accounts payable, capital improvements	612,777	591,368
Other	3,322,548	3,255,839	Accrued liabilities	3,557,677	2,901,104
Contributions receivable	2,717,512	412,881	Deposits, primarily students	344,959	391,486
Prepays and other	241,019	562,078	Deferred revenue	3,176,814	3,163,596
Inventory	229,906	262,492			
Total current assets	23,146,172	27,845,764	Total current liabilities	10,895,289	10,057,562
<b>Noncurrent Assets</b>			<b>Noncurrent Liabilities</b>		
Contributions receivable, net	564,835	1,219,643	Annuities payable	7,586	7,784
Charitable trusts	64,043	65,170	Bonds and notes payables, net	44,438,815	45,643,574
Investments	69,505,337	62,067,068	Finance lease obligations	832,022	789,028
Deposits with trustee	4,850,979	4,670,867	Operating lease obligations	907,540	807,105
Student loans receivable, net	1,524,702	1,624,937	Advance from federal government for student loans	1,728,437	1,917,984
Operating right-of-use assets	1,112,508	924,844	Asset retirement obligations	17,435	17,103
Land, buildings and equipment, net	120,307,883	113,647,674	Deferred revenue	307,692	419,231
Beneficial interest in perpetual trusts	6,001,460	5,689,310			
Prepaid pension cost	644,775	109,843	Total liabilities	59,134,816	59,659,371
			<b>Net Assets</b>		
			Without donor restrictions	114,784,310	109,261,186
			With donor restrictions	53,803,568	48,944,563
Total assets	\$ 227,722,694	\$ 217,865,120	Total net assets	168,587,878	158,205,749
			Total liabilities and net assets	\$ 227,722,694	\$ 217,865,120

See notes to financial statements

# Misericordia University

## Statements of Activities

Year Ended June 30, 2024

(With Comparative Totals for 2023)

	Without Donor Restrictions	With Donor Restrictions	2024 Total	2023 Total
<b>Operating Revenues</b>				
Student tuition and fees, net (less student scholarship aid of \$28,589,029 in 2024 and \$26,791,249 in 2023)	\$ 41,440,423	\$ -	\$ 41,440,423	\$ 41,224,283
Auxiliary enterprises	11,474,336	-	11,474,336	10,287,599
Federal grants	516,747	-	516,747	602,497
State grants	4,195,287	-	4,195,287	1,570,989
Private gifts and grants	1,901,035	3,270,683	5,171,718	4,258,083
Net investment gain	6,655,994	3,548,923	10,204,917	6,859,724
Change in split-interest agreements	-	311,023	311,023	117,250
Other sources	729,034	-	729,034	572,928
Net assets released from restrictions, satisfaction of program restrictions	2,271,624	(2,271,624)	-	-
Total operating revenues	69,184,480	4,859,005	74,043,485	65,493,353
<b>Operating Expenses</b>				
Instructional support	25,463,513	-	25,463,513	25,108,099
Student services	13,816,163	-	13,816,163	12,171,746
Institutional support	9,025,502	-	9,025,502	8,588,409
Auxiliary enterprises	8,474,519	-	8,474,519	8,742,671
Academic support	4,441,037	-	4,441,037	4,310,484
Government student aid and other	2,182,281	-	2,182,281	2,231,631
Fundraising	1,039,741	-	1,039,741	899,890
Total operating expenses	64,442,756	-	64,442,756	62,052,930
Increase in net assets from operating activities	4,741,724	4,859,005	9,600,729	3,440,423
<b>Nonoperating</b>				
Unrealized gain on investments	246,468	-	246,468	168,625
Minimum pension liability adjustment	534,932	-	534,932	478,662
Change in net assets	5,523,124	4,859,005	10,382,129	4,087,710
<b>Net Assets, Beginning</b>	109,261,186	48,944,563	158,205,749	154,118,039
<b>Net Assets, Ending</b>	\$ 114,784,310	\$ 53,803,568	\$ 168,587,878	\$ 158,205,749

See notes to financial statements

# Misericordia University

## Statement of Activities

Year Ended June 30, 2023

	Without Donor Restrictions	With Donor Restrictions	Total
<b>Operating Revenues</b>			
Student tuition and fees, net (less student scholarship aid of \$26,791,249)	\$ 41,224,283	\$ -	\$ 41,224,283
Auxiliary enterprises	10,287,599	-	10,287,599
Federal grants	602,497	-	602,497
State grants	1,570,989	-	1,570,989
Private gifts and grants	1,078,480	3,179,603	4,258,083
Net investment gain	4,542,035	2,317,689	6,859,724
Change in split-interest agreements	-	117,250	117,250
Other sources	572,928	-	572,928
Net assets released from restrictions, satisfaction of program restrictions	2,245,618	(2,245,618)	-
Total operating revenues	62,124,429	3,368,924	65,493,353
<b>Operating Expenses</b>			
Instructional support	25,108,099	-	25,108,099
Student services	12,171,746	-	12,171,746
Institutional support	8,588,409	-	8,588,409
Auxiliary enterprises	8,742,671	-	8,742,671
Academic support	4,310,484	-	4,310,484
Government student aid and other	2,231,631	-	2,231,631
Fundraising	899,890	-	899,890
Total operating expenses	62,052,930	-	62,052,930
Increase in net assets from operating activities	71,499	3,368,924	3,440,423
<b>Nonoperating</b>			
Unrealized gain on investments	168,625	-	168,625
Minimum pension liability adjustment	478,662	-	478,662
Change in net assets	718,786	3,368,924	4,087,710
<b>Net Assets, Beginning</b>	108,542,400	45,575,639	154,118,039
<b>Net Assets, Ending</b>	\$ 109,261,186	\$ 48,944,563	\$ 158,205,749

See notes to financial statements

**Misericordia University**

## Statements of Cash Flows

Years Ended June 30, 2024 and 2023

	<u>2024</u>	<u>2023</u>
<b>Cash Flows From Operating Activities</b>		
Change in net assets	\$ 10,382,129	\$ 4,087,710
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	6,746,201	6,524,222
Net realized and unrealized gain on investments	(6,820,372)	(3,716,313)
Amortization	(74,053)	(73,974)
Minimum pension liability adjustment	(534,932)	(478,662)
Restricted contributions	(2,331,529)	(2,191,690)
Change in charitable trusts	1,127	(274)
Change in beneficial interest in perpetual trusts	(312,150)	(116,975)
Changes in assets and liabilities:		
Accounts receivable	(3,329,087)	(1,870,015)
Contributions receivable	(1,649,823)	339,006
Prepays and other	321,059	(25,052)
Inventory	32,586	(9,052)
Accounts payable	141,013	(300,973)
Accrued liabilities	656,573	(649,557)
Deposits, primarily students	(46,527)	(33,118)
Deferred revenue	(98,321)	(173,792)
Net cash provided by operating activities	<u>3,083,894</u>	<u>1,311,491</u>
<b>Cash Flows From Investing Activities</b>		
Purchase of investments	(11,859,325)	(21,867,935)
Proceeds from sale of investments	16,042,199	24,267,366
Purchase of land, buildings and equipment	(12,725,630)	(3,975,465)
Disbursements of student loans	(127,135)	(220,586)
Repayments of student loans	<u>227,370</u>	<u>234,694</u>
Net cash used in investing activities	<u>(8,442,521)</u>	<u>(1,561,926)</u>
<b>Cash Flows From Financing Activities</b>		
Repayment of bonds payable	(1,345,000)	(1,285,000)
Proceeds from notes payable	57,423	-
Repayment of notes payable	(17,508)	(39,863)
Repayment of finance lease obligations	(477,052)	(387,776)
Change in deposits with trustee	(97,270)	462,753
Collection of restricted contributions	2,331,529	2,191,690
Net change in refundable federal grants and loan funds	<u>(189,547)</u>	<u>277,952</u>
Net cash provided by financing activities	<u>262,575</u>	<u>1,219,756</u>
(Decrease) increase in cash and cash equivalents and restricted cash	(5,096,052)	969,321
<b>Cash and Cash Equivalents and Restricted Cash, Beginning</b>	<u>7,329,267</u>	<u>6,359,946</u>
<b>Cash and Cash Equivalents and Restricted Cash, Ending</b>	<u><u>\$ 2,233,215</u></u>	<u><u>\$ 7,329,267</u></u>
<b>Supplemental Disclosure of Cash Flow Information</b>		
Cash paid for interest	<u><u>\$ 2,230,020</u></u>	<u><u>\$ 2,310,228</u></u>
<b>Reconciliation of Cash and Cash Equivalents and Restricted Cash</b>		
Cash and cash equivalents	\$ 1,672,232	\$ 6,851,126
Deposits with trustee (cash and cash equivalents)	<u>560,983</u>	<u>478,141</u>
Total cash and cash equivalents and restricted cash	<u><u>\$ 2,233,215</u></u>	<u><u>\$ 7,329,267</u></u>

See notes to financial statements



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

Misericordia University (the University), founded in 1924 as College Misericordia by the Religious Sisters of Mercy, is a Catholic liberal arts-based, coeducational University located in Dallas, Pennsylvania. The University offers both undergraduate and graduate programs.

The University evaluated subsequent events for recognition or disclosure through October 3, 2024, the date the financial statements were available to be issued.

**Cash and Cash Equivalents**

For purposes of the statements of cash flows, the University considers all highly liquid investments, with original maturities of 90 days or less, except those included in the University's short-term and long-term investment portfolios, to be cash equivalents.

**Accounts Receivable, Students and Student Loans Receivable**

Accounts receivable, students are reported at net realizable value. The University recognizes an allowance for credit losses for its receivables arising from reciprocal transactions to present the net amount expected to be collected as of the statements of financial position date. Such allowance is based on the credit losses expected to arise over the life of the asset which includes consideration of past events and historical loss experience, current events and also future events. Accounts are written off when they are determined to be uncollectible based upon management's assessment of individual accounts.

The University utilizes the loss rate method in determining its lifetime expected credit losses on accounts receivable, students. In determining its loss rates, the University evaluates information related to its historical losses, adjusted for current conditions and further adjusted for the period of time that can be reasonably forecasted. Qualitative and quantitative adjustments related to current conditions and the reasonable and supportable forecast period consider all the following: past due receivables, payor type, customer creditworthiness, and the effect of other external forces, such as economic conditions and legal and regulatory requirements, on the level of estimated credit losses in the existing receivables.

Student loans receivable represents loans to students funded by advances to the University by the federal government under the federal Perkins and Nursing Student Loan Programs (the Programs). Such funds may be re-loaned by the University after collection, but in the event that the University no longer participates in the Programs, the amounts are refundable to the federal government. The federal government's portion of these funds at June 30, 2024 and 2023 was approximately \$1,320,000 and \$1,297,000, respectively. The University matches and contributes one-third of the amount contributed by the federal government.

The prescribed practices for the Programs do not provide for accrual of interest on student loans receivable. Accordingly, interest on loans is recorded as received and is reinvested to support additional loans. Uncollectible loans are not recognized until the loans are cancelled or written off in conformity with each Program's requirements. The impact of recording interest income on a cash basis is not considered significant. In addition, the credit quality of the student is not evaluated after the initial approval and calculation of the loans. Delinquent loans and the allowance for credit losses on loans receivable are reviewed by management but are not material to the overall financial statements.

The Perkins Loan Program expired on September 30, 2017 and after June 30, 2018, no new loans were permitted. The University is not required to assign the outstanding Perkins Loans to the Department of Education or liquidate their Perkins Loan Revolving Funds due to the wind-down of the Perkins Loan Program, however; the University may choose to liquidate at any time in the future. As of June 30, 2024, the University continues to service the Perkins Loan Program.

**Accounts Receivable, Government Agencies**

Accounts receivable, government agencies represent grant funds due to the University from state and federal agencies for various capital and institutional purposes. Amounts are recorded based on executed grant agreements and there is not an allowance for credit losses needed. This receivable includes amounts due from the Commonwealth of Pennsylvania. The amounts are recorded as grant revenue without restrictions when certain criteria in grant agreements are met. There was a receivable of approximately \$4,520,000 and \$1,051,000 as of June 30, 2024 and 2023, respectively, related to amounts designated for capital projects.

**Investments**

The University's principal financial instruments subject to credit risk are its investments. The degree of concentration of credit risk varies by type of investment. These investments are comprised of a variety of financial instruments and are managed by investment advisors, subject to the University's investment policy. Investments are recorded at fair value. The fair values reported in the statements of financial position are exposed to various risks, including changes in the equity markets, the interest rate environment and general economic conditions. Due to the level of risk associated with certain investment securities and the level of uncertainty related to changes in the fair value of investment securities, it is reasonably possible that the amounts reported in the accompanying financial statements could change materially in the near term. Adjustments to reflect increases or decreases in fair value, referred to as unrealized gains and losses, are reported in the statements of activities.

All realized gains and losses arising from the sale of investments and ordinary income from investments are reported as changes in net assets without donor restrictions unless their use is restricted by explicit donor-imposed stipulations.

**Net Assets**

Net assets without donor restrictions are net assets that are not subject to donor-imposed stipulations. These may be designated for specific purposes by action of the Board of Trustees (the Board).

Net assets with donor restrictions are net assets whose use by the University is subject to donor-imposed stipulations that can be fulfilled by actions of the University pursuant to those stipulations or that expire by the passage of time, are reported as net assets with donor restrictions. Additionally, funds received as gifts and bequests which have been accepted with the donor stipulation that the principal be maintained intact in perpetuity are reported as net assets with donor restrictions.

In accordance with Commonwealth of Pennsylvania Department of Education regulations, the minimum protective endowment of \$500,000 is included in net assets with donor restrictions.

**Land, Buildings and Equipment**

Land, buildings and equipment are stated at cost less accumulated depreciation, computed on a straight-line basis over the estimated useful lives of buildings and improvements (15-40 years) and equipment (3-10 years). Maintenance and repairs are charged to expense as incurred; replacements and betterments are capitalized.

Contributed property and equipment are recorded at fair value at the date of donation. The University reports gifts of land, buildings and equipment as unrestricted support unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used, and gifts of cash and other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulations about how those long-lived assets must be maintained, the University reports expirations of donor restrictions when the donated or acquired assets are placed in service.

Collection items are capitalized at cost, if purchased or at their appraised or fair value, if contributed. Gains or losses from deaccessions of these items are reflected in the statements of activities as a change in the appropriate net asset classes, depending on the existence and type of donor-imposed restriction. The collection items are subject to a policy that requires proceeds from their sales to be used to acquire other items for collections or to support the direct care of existing collection items. The University did not dispose of any collection items for financial gain for the years ended June 30, 2024 and 2023.

**Asset Retirement Obligations**

The University has recorded the estimated future costs to remove encapsulated asbestos from certain buildings owned by the University. Capitalized costs are amortized over the remaining estimated useful lives of the buildings. Amortization of capitalized asset retirement costs is included in amortization expense.

**Bond Issuance Costs and Bond Premium, Net**

Costs and premiums incurred in connection with bond financing have been deferred and are amortized over the term of the related bonds using the straight-line method, which approximates the interest method.

Bond issuance costs and bond premium, net are recorded directly to bonds payable in the statements of financial position.

**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 and expenses during the reporting period. Actual results could differ from those estimates.

**Revenue Recognition and Disaggregation of Revenue**

Student tuition revenue is recorded at the established rates net of financial aid provided directly by the University, endowed scholarships and certain federal grants. Any payments received in advance for the subsequent year are classified as deferred tuition revenue in the statements of financial position.

# Misericordia University

## Notes to Financial Statements

June 30, 2024 and 2023

Tuition revenue is recognized in the fiscal year in which the academic programs are delivered, i.e. when the performance obligation is satisfied. Undergraduate, graduate and adult education programs are delivered in the fall, spring and summer academic terms. Room and board and other auxiliary services revenue are delivered primarily to undergraduate and graduate students in fall and spring academic terms and are recognized when the related services are performed. Full-time student withdrawals that occur during the first seven weeks of the academic term may receive a full or partial refund in accordance with the University's refund policy. Part-time student withdrawals, for students enrolled in full semester courses (15 weeks), that occur during the first seven weeks of the academic term may receive a full or partial refund in accordance with the University's refund policy. Part-time student withdrawals, for students enrolled in accelerated semester courses (generally four to seven weeks), may receive a full or partial refund within the first two weeks of the course in accordance with the University's refund policy.

Payments for tuition, fees, room and board are due on the first day of the academic term. Generally, the University's performance obligations are satisfied equally over the academic term. All remaining performance obligations will be satisfied in connection with the completion of the fiscal/academic year.

Transaction prices for tuition, fees, room and board are determined based on applicable University pricing schedules approved by the Board. Institutional financial aid and discounts provided by the University are reflected as a reduction of the tuition price with the exception of specifically identified auxiliary discounts such as room grants, which are reflected as a reduction in the auxiliary price. The University awards grants-in-aid and scholarships to individuals who meet the University's academic standards.

The amounts of such awards are based upon the financial needs and/or merit of each applicant.

The University's tuition and fees revenues are disaggregated as follows:

	<b>2024</b>	<b>2023</b>
Undergraduate programs:		
Tuition	\$ 51,772,503	\$ 49,851,024
Fees	3,492,138	3,247,930
Student scholarship aid	(27,743,164)	(26,131,200)
Total undergraduate programs	<u>27,521,477</u>	<u>26,967,754</u>
Graduate and adult programs:		
Tuition	13,173,902	13,315,968
Fees	1,127,713	1,116,389
Student scholarship aid	(845,865)	(660,049)
Total graduate and adult programs	<u>13,455,750</u>	<u>13,772,308</u>
Other:		
Fees	<u>463,196</u>	<u>484,221</u>
Total student tuition and fees, net	<u>\$ 41,440,423</u>	<u>\$ 41,224,283</u>

The University recognizes contributions when cash, securities or other assets, an unconditional promise to give or a notification of a beneficial interest is received. Conditional promises to give - that is, those with a measurable performance or other barrier and a right to return - are not recognized until the conditions on which they depend have been met.

Unconditional promises to be received after one year are discounted at a discount rate, which approximates risk adjusted market rates. Risk adjusted rates are determined based on an analysis of individual donor's ability to satisfy the obligations and current market rates. Amortization of the discount is recorded in private gifts and grants revenue. Contributions made and collected in the same reporting period are recorded when received in the appropriate net asset category (without donor restrictions or with donor restrictions).

Private grants and contracts are generally deemed to be exchange (reciprocal). The performance obligation for each grant or contract is deemed to be the research itself and revenue is recognized as the eligible grant activities are conducted. Transaction prices are based on budgets in the award agreement. Private grants and contracts are generally one year or less in duration. Exchange contracts are not significant to the University's financial statements.

Government grants and contracts are deemed to be nonexchange (nonreciprocal) transactions. Under this guidance, revenue related to conditional grants and contracts is recorded when the conditions are met. Most grants and contracts are on a cost reimbursement basis and require the University to incur eligible expenses prior to the release of funds. The University reports these grants and contracts as changes in net assets without donor restrictions when restrictions are met in the same period. Restricted private gifts are recorded as changes in net assets with donor restrictions. When a donor restriction expires, net assets are reclassified as net assets without donor restrictions.

### Deferred Revenue

Operating funds designated for particular operating purposes are deemed to be earned and reported as revenues when the University has incurred expenditures in compliance with the contracts or educational services provided. Amounts received but not yet earned are reported as deferred revenue. The following table depicts activities for deferred revenue related to tuition and fees.

Balance, June 30, 2023	Refunds Issued	Revenue Recognized and Included in June 30, 2023 Balance	Cash Received in Advance of Performance	Balance, June 30, 2024
\$ 2,966,736	\$ (23,588)	\$ 2,943,148	\$ 2,935,154	\$ 2,935,154

  

Balance, June 30, 2022	Refunds Issued	Revenue Recognized and Included in June 30, 2022 Balance	Cash Received in Advance of Performance	Balance, June 30, 2023
\$ 3,037,289	\$ (36,789)	\$ 3,000,500	\$ 2,966,736	\$ 2,966,736

The balance of deferred revenue at June 30, 2024 and 2023, less any refunds issued will be recognized as revenue in the next fiscal year, as services are rendered.

### Leases

The University recognizes the obligations associated with its leases as a liability in the statements of financial position based on future lease payments, discounted by the rate for collateralized borrowing.

Lease terms may include options to extend or terminate certain leases. The value of a lease is reflected in the valuation if it is reasonably certain an option to extend or terminate will be exercised.

Leases with an initial term of 12 months or less are not recorded on the statements of financial position since the University has elected the practical expedient to exclude these leases from operating right-of-use asset and lease liabilities. Short-term lease expenses are recognized on a straight-line basis over the lease term as an operating expense.

**Title IV Requirements**

The University participates in Student Financial Assistance Programs (Title IV) administered by the U.S. Department of Education (ED) for the payment of student tuition. Substantial portions of the revenue and collection of ending accounts receivable as of June 30, 2024 and 2023 are dependent upon the University's continued participation in the Title IV programs.

Institutions participating in Title IV programs are also required by ED to demonstrate financial responsibility. ED determines an institution's financial responsibility through the calculation of a composite score based upon certain financial ratios as defined in the regulations. Institutions receiving a composite score of 1.5 or greater are considered fully financially responsible. Institutions receiving a composite score between 1.0 and 1.5 are subject to additional monitoring and institutions receiving a score below 1.0 are required to submit financial guarantees in order to continue participation in the Title IV programs. As of June 30, 2024 and 2023, and for the years then ended, the University's composite score exceeded 1.5.

**Advertising Expense**

Advertising costs are expensed as incurred and were approximately \$388,000 in 2024 and \$354,000 in 2023.

**Nonoperating Activities**

For the purpose of the statements of activities, the University considers its changes in net assets without donor restrictions to be operational changes, except for unrealized gain on investments and the minimum pension liability adjustment.

**Accounting Standard Adopted**

In June 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-13, *Measurement of Financial Instruments—Credit Losses (Topic 326)*. The ASU introduces a new credit loss methodology, Current Expected Credit Losses (CECL), which requires earlier recognition of credit losses, while also providing additional transparency about credit risk. For financial instruments included in the scope, the CECL methodology utilizes a lifetime "expected credit loss" measurement objective for the recognition of credit losses at the time the financial asset is originated or acquired. The expected credit losses are adjusted each period for changes in expected lifetime credit losses.

The methodology replaces the multiple existing impairment methods in current accounting principles generally accepted in the United States of America (GAAP), which generally require that a loss be incurred before it is recognized. On July 1, 2023, the University adopted the ASU using the modified retrospective approach. The adoption of ASU No. 2016-13 had no impact on the financial statements for the year ended June 30, 2024.

**2. Accounts Receivable, Students**

Accounts receivable, students represent amounts due for tuition, fees and room and board from currently enrolled and former students. The University extends unsecured credit to students in connection with their studies. Some of those students are no longer enrolled or have completed their degrees.

Accounts receivable, students consist of the following at June 30, 2024 and 2023:

	<b>2024</b>	<b>2023</b>
Accounts receivable, students	\$ 1,361,442	\$ 1,293,247
Less allowance for credit losses	320,000	320,000
Net	<u>\$ 1,041,442</u>	<u>\$ 973,247</u>

**3. Contributions Receivable**

Contributions receivable are as follows at June 30:

	<b>2024</b>	<b>2023</b>
Due in one year or less	\$ 2,717,512	\$ 412,881
Due between one year and five years	891,735	1,485,559
Contributions receivable, gross	3,609,247	1,898,440
Less:		
Discounts	263,460	219,775
Allowance for uncollectibles	63,440	46,141
Contributions receivable, net	<u>\$ 3,282,347</u>	<u>\$ 1,632,524</u>

Unconditional promises to be received after one year are recognized at the estimated present value of the future cash flows at a discount rate of 3% to 6%, net of allowances.

These contributions have been made primarily by businesses and individuals located in the Northeastern Pennsylvania area. Management believes the University's allowance for uncollectibles, which is an estimate based on management's periodic assessment of the risks of collectability of each gift, is adequate based upon information currently known at June 30, 2024 and 2023. However, events impacting donors can occur in subsequent years that may cause a material change in the allowance for uncollectible amounts.

**4. Investments, Fair Value Measurements and Other Financial Instruments****Fair Value Measurements**

For financial instruments required to be measured at fair value on a recurring basis, fair value is defined as 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 is measured using a hierarchy prioritizing the inputs used in determining valuations into three levels. The level within the fair value hierarchy is based on the lowest level input that is significant to the fair value measurement.

The levels of the fair value hierarchy are as follows:

Level 1 - Quoted prices are available in the active markets for identical assets or liabilities as of the reported date.

Level 2 - Pricing inputs are other than quoted prices in active markets for identical assets, which are either directly or indirectly observable as of the reported date. The nature of these assets and liabilities include items for which quoted prices are available but traded less frequently, and items that are measured at fair value using other financial instruments, the parameters of which can be directly observed.

Level 3 - Valuations derived from valuation techniques in which one or more significant inputs or significant value drivers are unobservable.

# Misericordia University

## Notes to Financial Statements

June 30, 2024 and 2023

The following tables present the financial instruments measured at fair value as of June 30, 2024 and 2023 by caption on the statements of financial position by the valuation hierarchy defined above:

	2024			
	Total	Quoted Prices in Active Markets Level 1	Other Observable Inputs Level 2	Significant Unobservable Inputs Level 3
Assets:				
Short-term investments:				
Cash and cash equivalents	\$ 560,168	\$ 560,168	\$ -	\$ -
Fixed income mutual funds:				
Corporate	5,985,931	5,985,931	-	-
Government	1,704,683	1,704,683	-	-
Taxable municipal	749,208	749,208	-	-
Domestic investment grade	172,440	172,440	-	-
Total short-term investments	9,172,430	9,172,430	-	-
Long-term investments:				
Cash and cash equivalents	526,654	526,654	-	-
Domestic equity:				
Large cap	25,622,764	25,622,764	-	-
Mid cap	1,648,508	1,648,508	-	-
All cap	484,116	484,116	-	-
International equity:				
EAFE	4,256,078	4,256,078	-	-
European large cap	4,098,025	4,098,025	-	-
Emerging markets	3,200,182	3,200,182	-	-
Japanese large cap	2,384,442	2,384,442	-	-
Global equity	470,745	470,745	-	-
Fixed income mutual funds:				
Corporate	15,776,783	15,776,783	-	-
Asset/mortgage-backed securities	1,293,106	1,293,106	-	-
Taxable municipal	745,000	745,000	-	-
U.S. government	492,171	492,171	-	-
Other mutual funds:				
Real estate and infrastructure	1,725,899	1,725,899	-	-
Hard assets	1,524,217	1,524,217	-	-
Total long-term investments by valuation hierarchy	64,248,690	64,248,690	-	-
Alternative investments reported at NAV:				
Hedge fund	5,256,647			
Total long-term investments	69,505,337			
Deposits with trustee:				
Cash and cash equivalents	560,983	560,983	-	-
U.S. Treasury obligations	4,289,996	4,289,996	-	-
Total deposits with trustee	4,850,979	4,850,979	-	-
Charitable trusts	64,043	-	-	64,043
Beneficial interest in perpetual trusts	6,001,460	-	-	6,001,460
Total	\$ 89,594,249	\$ 78,272,099	\$ -	\$ 6,065,503



# Misericordia University

## Notes to Financial Statements

June 30, 2024 and 2023

	2023			
	Total	Quoted Prices in Active Markets Level 1	Other Observable Inputs Level 2	Significant Unobservable Inputs Level 3
Assets:				
Short-term investments:				
Cash and cash equivalents	\$ 33,550	\$ 33,550	\$ -	\$ -
Fixed income mutual funds:				
Government	7,033,145	7,033,145	-	-
Corporate	5,764,239	5,764,239	-	-
Taxable municipal	592,460	592,460	-	-
Domestic investment grade	345,622	345,622	-	-
Asset/mortgage-backed securities	204,185	204,185	-	-
Total short-term investments	13,973,201	13,973,201		
Long-term investments:				
Cash and cash equivalents	2,642,913	2,642,913	-	-
Domestic equity:				
Large cap	21,255,139	21,255,139	-	-
Mid cap	1,778,325	1,778,325	-	-
All cap	388,244	388,244	-	-
International equity:				
EAFE	3,427,997	3,427,997	-	-
European large cap	2,740,467	2,740,467	-	-
Emerging markets	2,182,208	2,182,208	-	-
Japanese large cap	2,148,363	2,148,363	-	-
Global equity	711,258	711,258	-	-
Asia ex-Japan	630,852	630,852	-	-
Fixed income mutual funds:				
Corporate	13,148,863	13,148,863	-	-
Taxable municipal	1,268,813	1,268,813	-	-
Asset/mortgage-backed securities	931,745	931,745	-	-
U.S. government	825,248	825,248	-	-
Other mutual funds:				
Real estate and infrastructure	1,994,335	1,994,335	-	-
Hard assets	1,314,161	1,314,161	-	-
Total long-term investments by valuation hierarchy	57,388,931	57,388,931	-	-
Alternative investments reported at NAV:				
Hedge fund	4,678,137			
Total long-term investments	62,067,068			
Deposits with trustee:				
Cash and cash equivalents	478,141	478,141	-	-
U.S. Treasury obligations	4,192,726	4,192,726	-	-
Total deposits with trustee	4,670,867	4,670,867	-	-
Charitable trusts	65,170	-	-	65,170
Beneficial interest in perpetual trusts	5,689,310	-	-	5,689,310
Total	\$ 86,465,616	\$ 76,032,999	\$ -	\$ 5,754,480

**Valuation Methodologies**

*Cash and cash equivalents:* The fair values are based on stated values and are classified within Level 1 of the valuation hierarchy.

*Investments:* The fair values are based on values reported by external investment managers. Quoted market prices for identical assets are used to measure fair value of U.S. government obligations, marketable equity securities, fixed income mutual funds and other mutual funds are classified within Level 1 of the valuation hierarchy.

*Alternative investments (hedge fund):* The fair value of the hedge fund is based on estimated fair values using net asset value (NAV) per share of the investment as provided by investment managers, as a practical expedient, without further adjustment, unless it is probable that the investment will be sold at a significantly different value. If not determined as of the University's measurement date, NAV is adjusted to reflect any significant events that would materially affect the security's value. Certain attributes that impact the security's fair value may not be reflected in NAV, including, but not limited to, the investor's ability to redeem the investment at the measurement date and unfunded purchase commitments. If the University sold all or a portion of its hedge fund investments, it is reasonably possible that the transaction value could differ significantly from the estimated fair value at the measurement date, because of the nature of the investments, changes in market conditions and the overall economic environment. 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 presented in the table above are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the statements of financial position.

*Charitable trusts and beneficial interest in perpetual trusts:* The fair value is estimated using the University's percentage of the underlying assets, which approximates the present value of estimated future cash flows to be received from the trust and are considered Level 3 inputs. This is considered a Level 3 measurement because even though the measurement is based on the underlying fair value of the trust assets as reported by the trustee, the University will never receive those assets or have the ability to direct the trustee to redeem them. There were no transfers or purchases during the year.

**Alternative Investments**

The hedge fund is a globally diversified, multi-strategy portfolio structured as a core hedge fund allocation within a broader portfolio of traditional investments.

Fair value measurements of investments in certain entities that calculate NAV per share (or its equivalent) as of June 30, 2024 and 2023 is as follows:

	<b>Hedge Fund Fair Value at NAV</b>	<b>Unfunded Commitments</b>	<b>Redemption Frequency</b>	<b>Redemption Notice Period</b>
June 30, 2024	\$ 5,256,647	\$ -	Quarterly	70 days
June 30, 2023	\$ 4,678,137	\$ -	Quarterly	70 days

The following summarizes the composition of net investment return for the years ended June 30, 2024 and 2023:

	<b>2024</b>	<b>2023</b>
Realized and unrealized investment gain, net	\$ 6,820,372	\$ 3,716,313
Interest and dividend income, net of fees	3,631,013	3,312,036
Total net investment income	<u>\$ 10,451,385</u>	<u>\$ 7,028,349</u>

Adjustments to reflect increases or decreases in market value, referred to as unrealized gains and losses, are reported in the statements of activities.

**5. Split-Interest Agreements****Charitable Trusts**

The University receives income from charitable trusts held by third parties. Under the terms of the trusts, the University has the irrevocable right to receive income earned on the trust assets over the trusts' terms. Upon termination of the trusts, the University receives all remaining trust assets. The assets of approximately \$64,000 and \$65,000 as of June 30, 2024 and 2023, respectively, are recorded at their fair values. The present value of the estimated future payments to be distributed over the donors' expected lives of approximately \$8,000 as of June 30, 2024 and 2023, are determined using discount rates ranging from 3% to 4%.

**Beneficial Interest in Perpetual Trusts**

The University receives income from perpetual trusts held by third parties. Under the terms of the trusts, the University has the irrevocable right to receive a portion of the income earned on the trusts' assets in perpetuity, but never receives the assets held in the trusts. The University's share of assets in the trusts is recorded at their fair values of approximately \$6,001,000 and \$5,689,000 as of June 30, 2024 and 2023, respectively.

The change in value in perpetual trusts is reported as changes in donor-restricted net assets based on explicit donor stipulations.

**6. Land, Buildings and Equipment, Net**

Land, buildings and equipment consist of the following at June 30, 2024 and 2023:

	<b>2024</b>	<b>2023</b>
Land and improvements	\$ 18,334,396	\$ 18,270,377
Buildings	167,872,511	154,789,775
Furnishings, equipment and books	29,091,879	26,506,904
Collection items	1,379,590	1,379,590
Construction in progress	912,007	3,263,188
<b>Total</b>	<b>217,590,383</b>	<b>204,209,834</b>
Less accumulated depreciation	97,282,500	90,562,160
<b>Net</b>	<b>\$ 120,307,883</b>	<b>\$ 113,647,674</b>

Construction in progress at June 30, 2024 and 2023 includes amounts related to work associated with renovations primarily related to instructional and athletics facilities along with campus housing and other auxiliary and administration facilities projects.

Included in the above table in furnishings, equipment and books are assets under finance lease obligations with a cost and accumulated depreciation of \$2,664,438 and \$1,105,363 at June 30, 2024 and \$1,993,568 and \$660,451 at June 30, 2023.

**7. Demand Note Payable**

The University has an unsecured line of credit renewable annually in January. The amount available on the line as of June 30, 2024 was \$5,000,000. Borrowings bear interest, payable monthly, at the Daily Simple Secured Overnight Financing Rate (SOFR), subject to a floor of 1.00%, plus 2.50% (7.83% as of June 30, 2024). There were no borrowings as of June 30, 2024 and 2023.

## Misericordia University

Notes to Financial Statements  
June 30, 2024 and 2023

### 8. Bonds and Notes Payable

A summary of bonds and notes payable at June 30, 2024 and 2023 is as follows:

	<u>2024</u>	<u>2023</u>
University Revenue Bonds, Series 2019 (issued through the Dallas Area Municipal Authority), payable in semi-annual installments ranging from \$137,500 to \$1,357,500 plus interest of 5.00% through May 2048	\$ 28,590,000	\$ 28,715,000
University Revenue Bonds, Series 2014 (issued through the Dallas Area Municipal Authority), payable in semi-annual installments ranging from \$450,000 to \$800,000 plus interest of 5.00% through May 2037	15,825,000	17,045,000
Term notes, commercial, payable in monthly installments ranging from \$545 to \$578 plus interest ranging from 0.00% to 3.90% through June 2029; unsecured	<u>56,845</u>	<u>16,932</u>
	44,471,845	45,776,932
Bond premium, net of discount	1,510,499	1,605,219
Bond issuance costs	<u>(356,110)</u>	<u>(376,645)</u>
Total	45,626,234	47,005,506
Less current portion	<u>1,187,419</u>	<u>1,361,932</u>
Total long-term bonds and notes payable	<u>\$ 44,438,815</u>	<u>\$ 45,643,574</u>

The 2019 Bonds are collateralized by a security interest in the University's gross revenues and a debt service reserve fund, which totaled \$2,517,668 at June 30, 2024.

The 2014 Bonds are collateralized by a security interest in the University's gross revenues and a debt service reserve fund, which totaled \$2,333,311 at June 30, 2024.

The aggregate future principal payments on the bonds and notes payable are as follows:

Years ending June 30:	
2025	\$ 1,187,419
2026	1,237,637
2027	1,297,863
2028	1,362,521
2029	1,426,405
2030 - 2034	8,270,000
2035 - 2039	9,425,000
2040 - 2044	10,160,000
2045 - 2048	<u>10,105,000</u>
Total	<u>\$ 44,471,845</u>

Interest expense with regard to the bonds and notes payable was \$2,244,944 and \$2,323,981 in 2024 and 2023, respectively.

## Misericordia University

### Notes to Financial Statements

June 30, 2024 and 2023

#### 9. Leases

The University has entered into the following lease arrangements:

Finance leases: the University leases network hardware and software, communications equipment, printing, duplicating and mailing equipment under agreements classified as finance leases. The leases generally have initial lease terms of five to ten years.

Operating leases: the University leases building space and printing and duplicating equipment. The leases generally have initial lease terms of five to ten years.

The University makes certain assumptions and judgements in determining the discount rate. The University uses the rate for collateralized borrowing, in determining the present value of lease payments for lease agreements that do not provide the interest rate.

Subsequent to the lease commencement date, the University reassesses lease classification when there is a contract modification that is accounted for as a separate contract, a change in the lease term or a change in the assessment of whether the lessee is reasonably certain to exercise an option to purchase the underlying asset or terminate the lease.

Future minimum lease payments under operating and finance leases at June 30, 2024 are as follows:

	<u>Operating</u>	<u>Finance</u>
Years ending June 30:		
2025	\$ 204,968	\$ 491,227
2026	208,625	491,227
2027	212,391	217,847
2028	216,270	127,853
2029	157,957	2,017
Thereafter	450,057	-
Total	1,450,268	1,330,171
Less amount representing interest	337,760	6,922
Total present value of net minimum lease payments	1,112,508	1,323,249
Less current portion of operating and finance lease obligations	204,968	491,227
Total long-term operating and finance lease obligations	<u>\$ 907,540</u>	<u>\$ 832,022</u>

## Misericordia University

Notes to Financial Statements  
June 30, 2024 and 2023

Total lease costs are comprised of the following in 2024 and 2023:

	2024	2023
Lease cost:		
Finance lease cost:		
Amortization of right-of-use assets	\$ 444,913	\$ 307,174
Interest on lease liabilities	6,922	92
Operating lease cost	135,052	201,157
Short-term lease cost	11,918	5,281
Total lease cost	<u>\$ 598,805</u>	<u>\$ 513,704</u>
Other information:		
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows for finance leases	\$ 6,922	\$ 92
Operating cash flows for operating leases	135,052	201,157
Financing cash flows for finance leases	477,052	387,776
Right of use assets obtained in exchange for new:		
Operating lease liabilities	334,621	910,507
Finance lease liabilities	659,371	449,973
Weighted-average remaining lease term:		
Finance leases	3.0 years	3.3 years
Operating leases	7.3 years	9.3 years
Weighted-average discount rate:		
Finance leases	0.4%	0.0%
Operating leases	4.8%	6.2%

### 10. Pensions

The University sponsors a defined benefit pension plan for its faculty and nonfaculty employees. The Plan provides defined benefits based on compensation and years of service. The Plan is frozen to new participants and benefits were frozen effective July 1, 2018. The benefit plan obligation was \$3,401,387 and \$3,720,699 at June 30, 2024 and 2023, respectively. The fair value of plan assets was \$4,046,162 and \$3,830,542 at June 30, 2024 and 2023, respectively. Total net periodic pension (income) cost was \$(5,492) and \$55,154 at June 30, 2024 and 2023, respectively.

The University does not expect to make a contribution to its defined benefit pension plan in 2025.

The University also sponsors a voluntary, contributory pension plan for faculty and staff employees. Contributions were \$1,746,078 in 2024 and \$1,797,903 in 2023.

### 11. Significant Group Concentration of Credit Risk

A significant portion of the University's business activity is with students located in Luzerne County, Pennsylvania and surrounding communities. The University grants credit to its students for tuition and fees and the general public for campaign contributions, if any.

The University maintains its cash accounts in commercial banks with locations in Pennsylvania. Accounts are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. The University regularly maintains amounts on deposit in excess of the insured amount. The University has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk.

**12. Endowment Funds**

The University's endowment consists of 274 individual funds established for a variety of purposes. Its endowment includes both donor-restricted endowment funds and funds designated by the Board to function as endowments. Net assets associated with endowment funds, including funds designated by the Board to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

The Board of the University has developed a policy 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 interpreted through review of Pennsylvania law, the University classifies as net assets with donor restrictions (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.

The University considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

- The duration and preservation of the fund
- The purposes of the University and the donor-restricted endowment fund
- General economic conditions
- The possible effect of inflation and deflation
- The expected total return from income and the appreciation of investments
- Other resources of the University
- The investment policies of the University

The University has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the University must hold in perpetuity or for a donor-specified period(s) as well as Board-designated funds. Under this policy, as approved by the Board, the endowment assets are invested in a manner that is intended to produce results that exceed the price and yield results of various market indices while assuming a moderate level of investment risk.

To satisfy its long-term rate-of-return objectives, the University relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The University targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

The University has a policy of appropriating for distribution each year up to 5.50% of its endowment fund's average fair value over the prior five years through the fiscal year-end preceding the fiscal year in which the distribution is planned. The distribution rate as approved by the Board was 4.50% for the years ended June 30, 2024 and 2023. In establishing this policy, the University considered the long-term expected return on its endowment. This is consistent with the University's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term as well as to provide additional real growth through new gifts and investment return.

## Misericordia University

### Notes to Financial Statements

June 30, 2024 and 2023

The with donor restriction category also includes the value of interest in various trust accounts established by donors. The assets of the trusts are held by independent trustees in perpetuity. The University has an interest in the income generated from these trusts but will never receive the assets held in the trusts. These assets are not governed by the University's investment policy. All investment decisions and distributions are governed by trust documents and the trustee.

Endowment net asset composition by type of fund as of June 30, 2024:

	<b>Board- Designated</b>	<b>With Donor Restrictions</b>	<b>Total</b>
Beneficial interest in perpetual trusts	\$ -	\$ 6,001,460	\$ 6,001,460
Split-interest agreements	-	16,521	16,521
Donor-restricted endowment funds	-	32,437,690	32,437,690
Board-designated endowment funds	36,920,717	-	36,920,717
<b>Total endowment funds</b>	<b>\$ 36,920,717</b>	<b>\$ 38,455,671</b>	<b>\$ 75,376,388</b>

Changes in endowment net assets for the year ended June 30, 2024:

	<b>Board- Designated</b>	<b>With Donor Restrictions</b>	<b>Total</b>
Endowment net assets, beginning of year	\$ 32,670,310	\$ 34,846,326	\$ 67,516,636
Investment return:			
Investment income	536,629	697,741	1,234,370
Net appreciation (realized and unrealized)	3,713,778	2,851,182	6,564,960
<b>Total investment return</b>	<b>4,250,407</b>	<b>3,548,923</b>	<b>7,799,330</b>
Contributions	-	1,339,950	1,339,950
Change in beneficial interest in perpetual trusts	-	312,150	312,150
Reimbursement of prior scholarships awarded	-	(1,430,460)	(1,430,460)
Appropriation of endowment earnings for expenditures	-	(161,218)	(161,218)
<b>Endowment net assets, end of year</b>	<b>\$ 36,920,717</b>	<b>\$ 38,455,671</b>	<b>\$ 75,376,388</b>

Endowment net asset composition by type of fund as of June 30, 2023:

	<b>Board- Designated</b>	<b>With Donor Restrictions</b>	<b>Total</b>
Beneficial interest in perpetual trusts	\$ -	\$ 5,689,310	\$ 5,689,310
Split-interest agreements	-	16,521	16,521
Donor-restricted endowment funds	-	29,140,495	29,140,495
Board-designated endowment funds	32,670,310	-	32,670,310
<b>Total endowment funds</b>	<b>\$ 32,670,310</b>	<b>\$ 34,846,326</b>	<b>\$ 67,516,636</b>



**Misericordia University**

## Notes to Financial Statements

June 30, 2024 and 2023

Changes in endowment net assets for the year ended June 30, 2023:

	<b>Board- Designated</b>	<b>With Donor Restrictions</b>	<b>Total</b>
Endowment net assets, beginning of year	\$ 30,069,314	\$ 32,217,693	\$ 62,287,007
Investment return:			
Investment income	506,694	658,817	1,165,511
Net appreciation (realized and unrealized)	2,094,302	1,658,872	3,753,174
Total investment return	2,600,996	2,317,689	4,918,685
Contributions	-	2,191,690	2,191,690
Change in beneficial interest in perpetual trusts	-	116,975	116,975
Reimbursement of prior scholarships awarded	-	(1,008,442)	(1,008,442)
Appropriation of endowment earnings for expenditures	-	(989,279)	(989,279)
Endowment net assets, end of year	\$ 32,670,310	\$ 34,846,326	\$ 67,516,636

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or law requires the University to retain as a fund of perpetual duration. There were no such deficiencies reported in net assets with donor restrictions as of June 30, 2024 or 2023.

**13. Net Assets**

Net assets without donor restrictions are available for the following purposes as of June 30:

	<b>2024</b>	<b>2023</b>
Invested in plant facilities	\$ 62,753,792	\$ 56,369,551
Designated for endowment by Board	36,920,717	32,670,310
Designated for capital expenditures	3,701,762	9,652,239
Designated for operations	11,408,039	10,569,086
Total net assets without donor restrictions	\$ 114,784,310	\$ 109,261,186

# Misericordia University

Notes to Financial Statements  
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Net assets with donor restrictions consist of the following at June 30:

	2024	2023
For specified purpose:		
Plant facilities	\$ 13,485,174	\$ 12,703,648
Endowment earnings	5,440,451	3,483,206
Other specified purposes	746,851	427,687
Based on time restriction	54,848	55,772
Assets held in perpetuity, including pledges for endowments of \$1,077,545 in 2024 and \$927,651 in 2023	28,074,784	26,584,940
Beneficial interest in perpetual trusts	6,001,460	5,689,310
Total net assets with donor restrictions	<u>\$ 53,803,568</u>	<u>\$ 48,944,563</u>

## 14. Commitments and Contingencies

The University has authorized expenditures related to construction projects unexpended in the amount of approximately \$7,000 and \$8,053,000 at June 30, 2024 and 2023, respectively.

The University is a defendant in a number of legal actions. While the final outcome cannot be determined at this time, management is of the opinion that the ultimate liability, if any, from the final resolution of these matters will not have a material effect on the University's financial statements.

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

## 15. Functional Classification of Expenses

The University adheres to the AICPA Industry Audit Guide in reporting expenses by their functional classification. Accordingly, depreciation, benefits, interest and other expenses have been allocated to functional classifications based on square footage, salaries, use of debt proceeds and other factors.

The University's classification of operating expenses in the statements of activities is represented by natural expenses as of June 30 (in thousands):

	2024								
	Instructional Support	Student Services	Institutional Support	Auxiliary Enterprises	Academic Support	Government Student Aid and Other	Fundraising	Plant Allocation	Total Expenses
Salaries	\$ 14,069	\$ 4,892	\$ 4,042	\$ 154	\$ 1,720	\$ -	\$ 477	\$ 2,449	\$ 27,803
Maintenance and utilities	3,191	2,617	283	2,969	522	-	-	-	9,582
Benefits	4,274	1,486	1,207	47	523	-	166	744	8,447
Depreciation	2,020	1,658	179	1,881	331	-	-	669	6,738
Professional services	417	787	2,182	122	265	-	198	867	4,838
Other	324	2,072	1,115	2,546	1,080	2,182	199	(4,729)	4,789
Interest	1,169	304	17	756	-	-	-	-	2,246
Total	<u>\$ 25,464</u>	<u>\$ 13,816</u>	<u>\$ 9,025</u>	<u>\$ 8,475</u>	<u>\$ 4,441</u>	<u>\$ 2,182</u>	<u>\$ 1,040</u>	<u>\$ -</u>	<u>\$ 64,443</u>

# Misericordia University

## Notes to Financial Statements June 30, 2024 and 2023

	2023								
	Instructional Support	Student Services	Institutional Support	Auxiliary Enterprises	Academic Support	Government Student Aid and Other	Fundraising	Plant Allocation	Total Expenses
Salaries	\$ 13,887	\$ 4,406	\$ 3,967	\$ 159	\$ 1,718	\$ -	\$ 448	\$ 2,106	\$ 26,691
Maintenance and utilities	2,970	2,069	301	3,152	555	-	-	-	9,047
Benefits	4,434	1,407	1,254	51	549	-	156	672	8,523
Depreciation	1,911	1,332	193	2,028	357	-	-	691	6,512
Other	169	2,029	1,000	2,412	979	2,232	70	(4,288)	4,603
Professional services	551	599	1,854	151	152	-	226	819	4,352
Interest	1,186	330	19	790	-	-	-	-	2,325
Total	<u>\$ 25,108</u>	<u>\$ 12,172</u>	<u>\$ 8,588</u>	<u>\$ 8,743</u>	<u>\$ 4,310</u>	<u>\$ 2,232</u>	<u>\$ 900</u>	<u>\$ -</u>	<u>\$ 62,053</u>

## 16. Related-Party Transactions

The University paid food service fees of approximately \$3,149,000 and \$2,909,000 in 2024 and 2023, respectively, to a vendor whose officer is also a Board member of the University. The University also has accounts payable of approximately \$18,000 in 2024 and \$39,000 in 2023 to that vendor. The contract was awarded under Board approval.

The University has depositor and creditor relationships with a bank whose officer is also a member of the Board. The relationship includes traditional checking accounts, investment accounts and an operating line of credit.

Contributions made by members of the Board totaled approximately \$644,000 and \$54,000 for the years ended June 30, 2024 and 2023, respectively. Outstanding contributions receivable from members of the Board totaled approximately \$576,000 and \$426,000 at June 30, 2024 and 2023, respectively.

## 17. Income Taxes

The University is tax-exempt as a not-for-profit organization under Section 501(c)(3) of the Internal Revenue Code.

The University accounts for uncertainties in income taxes in accordance with authoritative guidance, which prescribes a recognition threshold of more-likely-than-not to be sustained upon examination by the appropriate taxing authority. Measurement of the tax uncertainty occurs if the recognition threshold has been met. The University does not believe its financial statements include any uncertain tax positions.

The University's policy is to recognize interest related to unrecognized tax benefits in interest expense and penalties in operating expenses.

## 18. Liquidity and Availability of Resources

The University's working capital and cash flows have seasonal variations during the year attributable to the annual cash receipts from tuition, fee, room and board charges and collections on student accounts in relation to the start of academic semesters. As part of the University's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities and other obligations come due. To help manage unanticipated liquidity needs, the University has a committed line of credit in the amount of \$5,000,000 which it could draw upon (see Note 7).

The following reflects the University's financial assets as of the statements of financial position date, reduced by amounts not available for general use within one year of the statements of financial position date because of contractual or donor-imposed restrictions or internal designations.

## Misericordia University

### Notes to Financial Statements

June 30, 2024 and 2023

The University's financial assets available within one year of the statements of financial position date for general expenditure are as follows as of June 30:

	<u>2024</u>	<u>2023</u>
Cash and cash equivalents	\$ 1,672,232	\$ 6,851,126
Short-term investments	236,630	4,067,876
Accounts receivables, students, net	1,041,442	973,247
Other receivables	8,071,631	4,810,739
Contributions receivable without donor restrictions, current	<u>173,589</u>	<u>10,420</u>
Financial assets available to meet cash needs for general expenditures within one year	<u>\$ 11,195,524</u>	<u>\$ 16,713,408</u>

The University's endowment funds consist of donor-restricted endowments and a Board-designated/quasi-endowment. Investment income from donor-restricted endowments is restricted for specific purposes and, therefore, is not available for general expenditure. The Board has approved up to \$1,211,000 and \$1,179,000 of appropriations from the endowment for the following 12 months as of June 30, 2024 and 2023, respectively. The Board-designated/quasi-endowment was approximately \$36,921,000 and \$32,670,000 at June 30, 2024 and 2023, respectively. In the event of an emergency or other needs of the University, the Board, at its discretion, could expend the quasi/board-designated funds.

The Board has designated portions of prior years' operating surpluses to fund future capital projects for the University. The Board-designated funds are included in short-term investments and investments in the statements of financial position and totaled \$11,174,000 and \$12,344,000 at June 30, 2024 and 2023, respectively. In the event of an emergency or other needs of the University, the Board, at its discretion, could expend the quasi/board-designated funds.