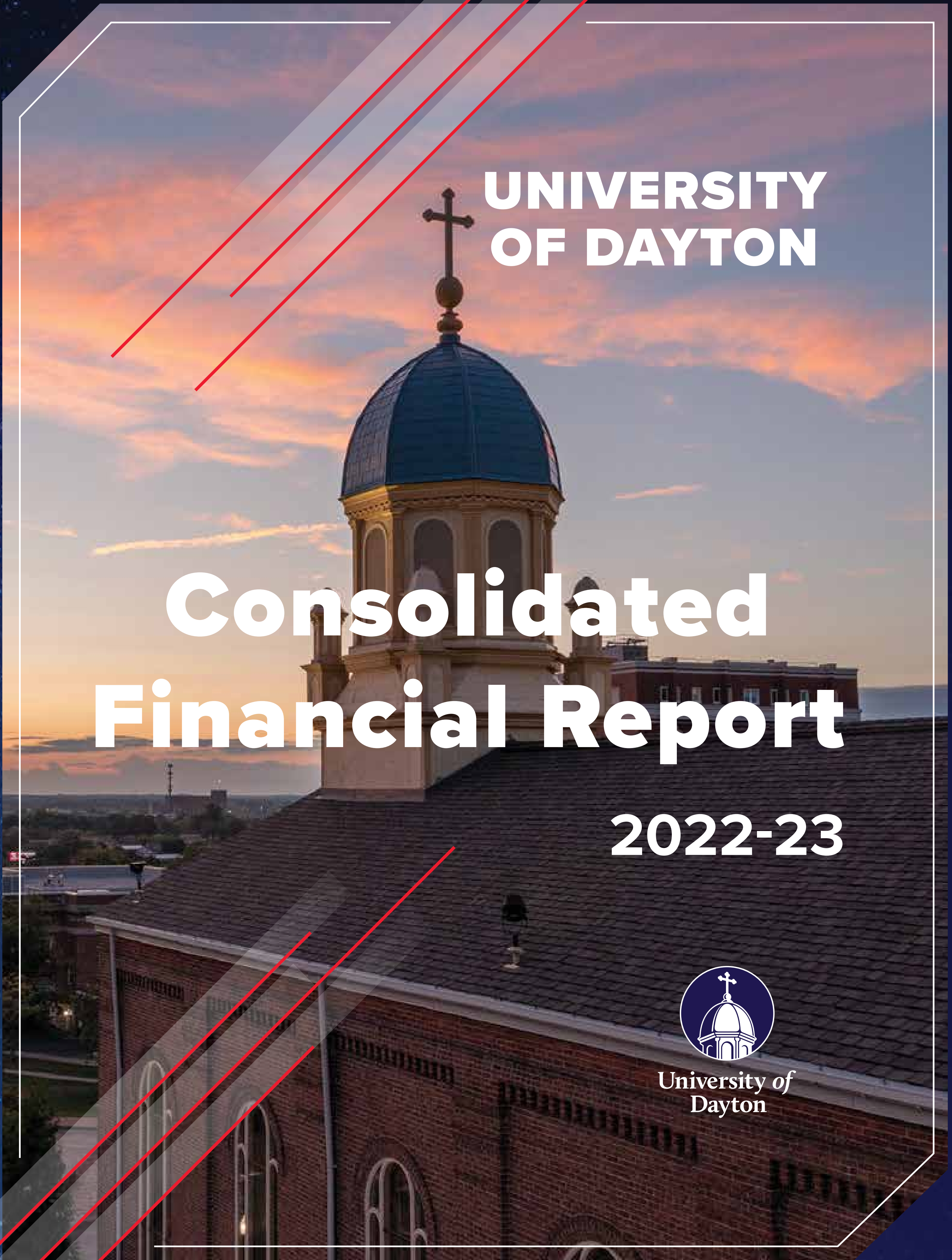

UNIVERSITY OF DAYTON

Consolidated Financial Report

2022-23

University of Dayton

CONTENTS

University of Dayton

AT A GLANCE

98%

EMPLOYED, PURSUING A GRADUATE DEGREE OR PARTICIPATING IN A SERVICE PROGRAM WITHIN 6 MONTHS OF EARNING A DEGREE

11,378

STUDENTS (UNDERGRADUATE, GRADUATE, LAW)

$238.6 MILLION IN SPONSORED RESEARCH IN FISCAL YEAR 2023

#1

SCHOOL OF ENGINEERING GRAD PROGRAM HOLDS THE TOP SPOT AMONG CATHOLIC COLLEGES AND UNIVERSITIES

18

CONSECUTIVE YEARS THE PRINCETON REVIEW AND *ENTREPRENEUR* MAGAZINE LISTED THE UNIVERSITY AMONG THE TOP 50 UNDERGRADUATE SCHOOLS FOR ENTREPRENEURSHIP STUDIES

#1

UD

STUDENT-RUN INVESTMENT FUND WITH NEARLY $63 MILLION OF ASSETS UNDER MANAGEMENT

RATED THE #1 BEST RUN COLLEGE AND TOP 10 FOR BEST CAMPUS FOOD BY PRINCETON REVIEW

1D

ONE DAY

ONE DAYTON

$3.6 MILLION RAISED ON GIVING DAY FROM 7,499 FLYERS FROM ALL 50 STATES

17

DIVISION I TEAMS

A MESSAGE FROM THE PRESIDENT

In fiscal year 2022-2023, the University of Dayton experienced healthy enrollment as we continued to attract talented, academically gifted students, diversify our student body and increase accessibility for students, no matter their ZIP code.

By doing so we earned national recognition as a "High-Flier." Bloomberg Philanthropies and the American Talent Initiative named UD alongside 28 colleges and universities — including members of the Ivy League, elite liberal arts schools and the nation's public flagship universities — for our steady progress in recruiting, supporting and graduating lower-income students.

Our graduates continue to be in demand, with 98 percent reported being employed, pursuing a graduate degree or participating in a service program within six months of earning their degree. The average starting salary for our graduates has jumped 10.5 percent, according to the annual UD Career Services Flyer First Destination Survey.

We are elevating the arts on campus with the completion of the $45 million Roger Glass Center for the Arts. In addition, Premier Health is now an anchor tenant in a new medical office building on Brown Street that includes evening and weekend urgent care services for UD students, a clinic for faculty and staff, and outpatient services for all.

With outstanding work from our scientists, engineers and researchers, the University achieved another year of record research with $238.6 million in sponsored research revenues. According to the National Science Foundation, UD performs more sponsored materials research and development than any university or college in the nation and tops all Ohio and Catholic universities for sponsored engineering research and development.

The University of Dayton became part of an Intel-funded Ohio-Southwest Alliance on Semiconductors and Integrated Scalable Manufacturing to help develop a workforce for Ohio's semiconductor industry needs. In addition, we continued to conduct research that advances the common good, such as making breakthroughs in destroying "forever chemicals," developing sustainable alternative fuels and cleaner combustion processes, and providing power for NASA's return to the moon.

In a challenging year for the financial markets, the value of the University's long-term investment pool, including our endowment, held steady at $1.1 billion with a return in the top quartile of college and university endowments based on the 2022 NACUBO-TIAA Study of Endowments. The University's balance sheet also remains strong, and we continue to hold credit ratings of A+/A2 from Standard & Poor's and Moody's respectively with stable outlooks.

Finally, we celebrated the public launch of the historic $400 million "We Soar" campaign, our first comprehensive campaign in more than two decades. Alumni and friends have already stepped up with $355.3 million to support scholarships, experiential learning opportunities, and faculty and staff innovation. During the last fiscal year alone, UD attracted a record $67.4 million in cash and commitments, and donors established 23 new endowed scholarships. On "One Day One Dayton" — our annual day of giving — Flyers from all 50 states rallied to raise more than $3.5 million to support the dreams of students.

On behalf of the entire administration, faculty and staff, I am proud to share the tangible results of our work to advance the University of Dayton in the spirit of our Catholic, Marianist mission. I look forward to another year of thoughtful financial stewardship and strategic investments as we continue to build a sustainable foundation with growth in excellence and impact.

Eric F. Spina
President


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2022-23

UNIVERSITY HIGHLIGHTS

LEANING INTO OUR MISSION

As a Catholic, Marianist research university, we value community, educating the whole person and respecting the dignity of all people. We lean into our mission of holistically educating our students to learn, lead and serve. We strive to give talented students from every income background opportunities they deserve and are committed to our role as an anchor institution in our home city of Dayton.

University *of* Dayton

STUDENT FOCUSED

We value the talents of our community of more than 11,300 undergraduate, graduate, law and doctoral students. From internships to research and study abroad to running Flyer Enterprises, our students benefit from an array of experiential learning opportunities as they work toward finding their vocation. It's not all hard work though as Flyers can discover their community in one of 250 campus clubs and organizations.

University of Dayton Research Institute

RESEARCH THAT MATTERS

By collaborating with renowned faculty and researchers, our undergraduate and graduate students pave the way to a better world. The University's sponsored research revenue recently topped $238 million, most of it happening in the University of Dayton Research Institute. UDRI remains a national leader in scientific and engineering research, serving government, industry and nonprofit customers.

WE DON'T JUST FLY...WE SOAR

It was a celebration as we launched the public phase of the University's first comprehensive campaign in more than two decades. The goal of the 'We Soar' campaign, to raise $400 million, will strengthen the University and make a difference in the lives of our students and prepare the next generation of Flyers through experiential learning opportunities, increased access to scholarships and continued investment in top faculty and programs. UD friends and alumni have already shown the strength of the UD community by giving more than $355 million to support their fellow Flyers.


WE DON'T JUST FLY
WE SOAR

2022-23

FINANCIAL HIGHLIGHTS

MANAGEMENT'S DISCUSSION AND ANALYSIS
For Fiscal Year Ended June 30, 2022

In fiscal year 2022-2023 the University of Dayton continued to maintain a strong balance sheet despite a challenging and fluid economic environment in the wake of the pandemic. Our disciplined and conservative approach to planning for the future enables us to successfully maintain positive operations, while also continue to adapt to the rapidly changing private higher education environment.

Dr. Spina noted the launch of the $400 million "We Soar" campaign in April of this year. The University's student financial aid and academic programs materially benefitted from the campaign during this fiscal period, with $21 million in new restricted gifts as well as $13 million in new endowments that will yield a boost to operating revenue in future years.

Applications for the University's fall 2022 first-year undergraduate class were at a record high, allowing the for the enrollment of our target first-year size class and growth in per student net revenue. The entering class was again near record levels of academic strength and diversity, as the University continues to focus on providing access to a UD degree for all qualified students. The effects of the pandemic continued to have economic impacts through retention and higher financial support provided to students who entered during these difficult years. The University continues to combat these external forces by focusing on student success, partnership programs and diverse enrollment channels.

The University's long term investment pool, including its endowment, had an exceptional year of performance, with returns of nearly 9%. One of the most notable investments in the pool is the "Flyer Fund" that is managed by the Davis Center for Investment Management. The Flyer Fund is the largest student-managed investment portfolio in the United States, with over $63 million in assets under management and annual returns of nearly 21%, outpacing the S&P 500.

The following discussion and analysis provide an overview of the financial position of the University of Dayton for the year ended June 30, 2023 with comparative information for the previous year ended June 30, 2022. This overview has been prepared by management and should be read in conjunction with the audited financial statements and the notes that follow this section.

Andrew T. Horner
Executive Vice President for Business and Administrative Service

FINANCIAL OVERVIEW

The University ended fiscal year 2023 with an operating surplus of $36 million and net assets without donor restrictions of $1.1 billion. The strong growth was led primarily by strong investment returns and the University of Dayton Research Institute, where externally sponsored contract and grant revenue grew 7.5% to $238 million. While the national economy still carries some uncertainty with some ongoing supply chain issues, high inflation and a competitive job market, fiscal year 2023 was a stable year with an academically strong first-year cohort and positive operating margins. Non-sponsored operating revenue grew $2 million year over year. Non-operating activities were higher year over year by $38 million as the prior year recognized investment losses of $16 million.

Statement of Financial Position Highlights

With strong financial market performance, and the ongoing stabilization of the economy in the wake of the pandemic, the University's financial position remained strong in fiscal year 2023. Net assets grew by $62M to finish the year just under $1.6 billion.

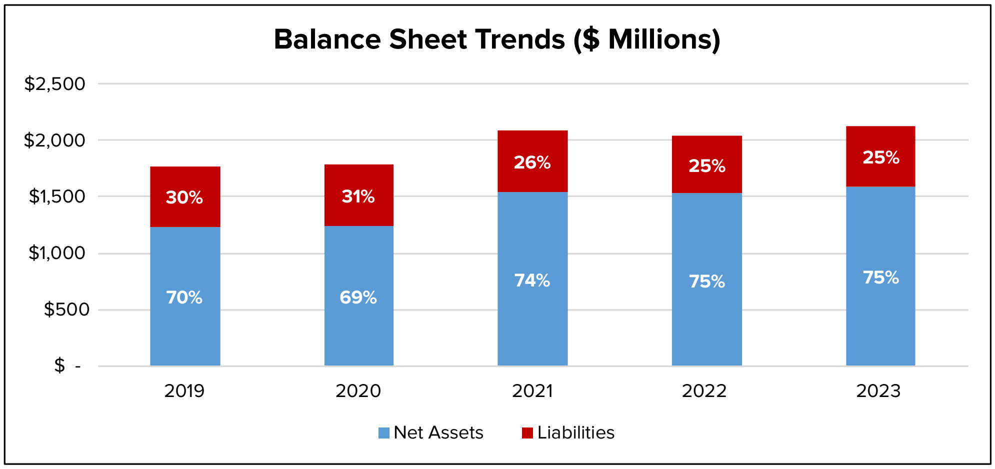
- The University's long-term investment pool, which includes the endowment, grew 9%. The market value of the endowment at June 30 is $801 million.

- Cash decreased $35 million due to capital spending and a return to a more normalized level after maintaining conservative liquidity ratios during the pandemic.

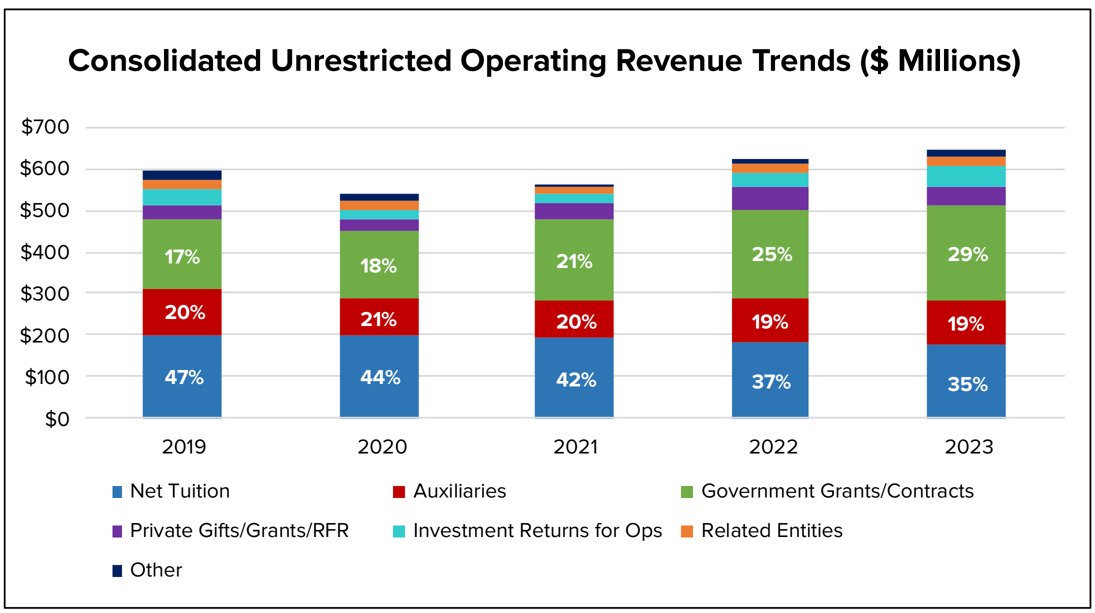
MANAGEMENT'S DISCUSSION AND ANALYSIS
For Fiscal Year Ended June 30, 2022

- Indebtedness increased $26 million due to the issuance of new debt to fund ongoing construction projects in accordance with the University's financing strategy.

The University's balance sheet trends, including its growth and changing composition, are depicted below:



Operating Performance Highlights
Total consolidated operating revenues continued a strong growth trend in fiscal 2023, increasing to $647 million from $628 million in fiscal year 2022. The last 5 years of revenue trends by major component are summarized below:



- Auxiliary revenue increased $3M from the prior year as a result of strong performance in housing and top ranked dining services.

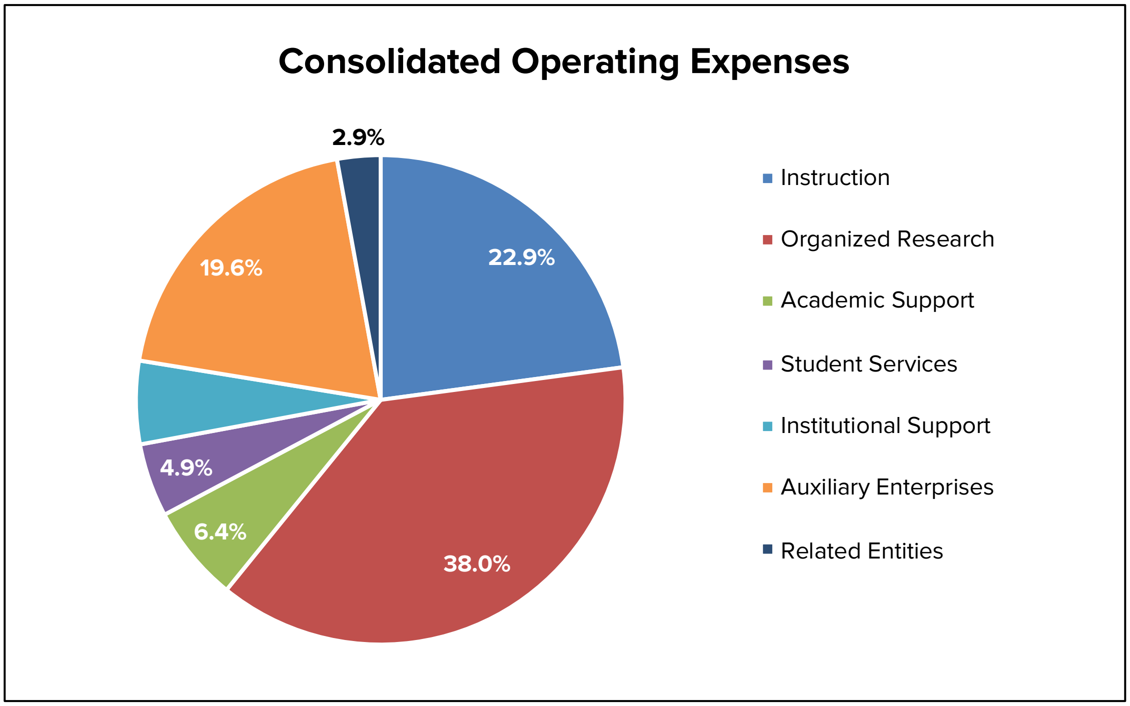
MANAGEMENT'S DISCUSSION AND ANALYSIS
For Fiscal Year Ended June 30, 2022

- Net tuition declined $10 million as a result of the continued impact of the pandemic on creating larger investment in institutional financial support for students admitted during that period. In addition, retention rates continue to be weaker than traditional levels due to the additional pressures on students and families. However, the University continues to show positive trends in the more recently admitted first-year cohorts with improvements in retention rates, meeting enrollment goals and maintaining high measures of academic quality and diversity.

- Donor restricted government grants and contracts declined $16 million from the prior year. In fiscal year 2022, the University recognized the last of the Higher Education Emergency Relief Funds (HEERF) provided by the Department of Education to supplement direct student aid and institutional support provided to relieve some of the economic impact of the pandemic.

- Related entities reached record levels of revenue increasing $5 million over prior year.

Operating expenses for the University grew 5% from $602 million to $634 million in 2023. The major components of the University operating expenses are summarized below:



- Salaries and benefits were higher than the previous year by $19 million. Organized research growth of accounted for $14 million of this growth. Non-sponsored research increases were primarily a market related wage increases during 2023.

- Utilities and Communication expenses grew $5 million due to local market factors primarily related to a significant price spike in the electricity market. These were temporary increases that have moderated and returned to normal levels for fiscal year 2024.

MANAGEMENT'S DISCUSSION AND ANALYSIS
For Fiscal Year Ended June 30, 2022

- Other sponsored related expenditures grew $11 million, or 10%, primarily due to subcontractor expenses, while non-sponsored expenses remained relatively stable increasing only 2% over the prior year.

Capital and Debt

- The University invested significantly in our physical plant with several renovations in classroom, lab and housing spaces. In addition, construction on the Roger Glass Center for the Arts, which began in the spring of 2022, continued throughout the year. The Center will house a 400-seat concert hall, experimental theater, art gallery and a digital media production center. The project is budgeted to be $45 million and will be completed in January 2024.

- During fiscal year 2023, the University issued debt totaling $98 million to refund the Universities 2013 bonds of $47 million as well as fund ongoing capital projects.

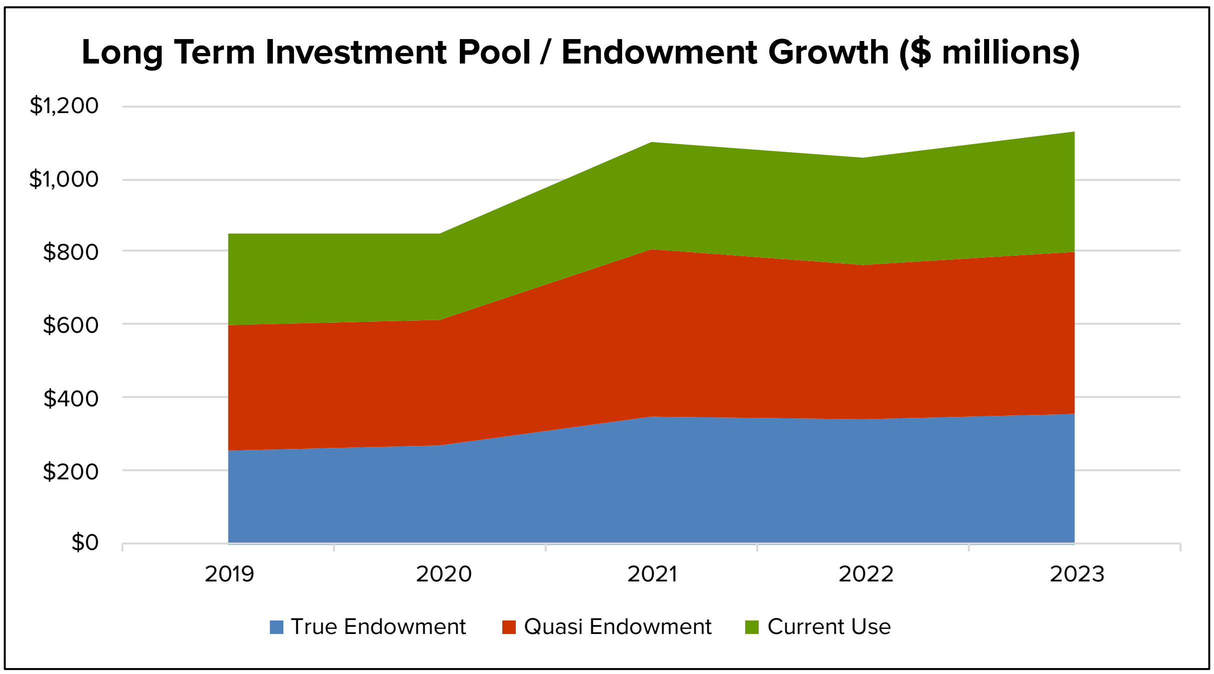
- The University holds ratings of A2 with a stable outlook with Moody's, while Standard & Poor's affirmed our A+ rating with a stable outlook in October 2023.

Investments and Endowed Funds

- The University's investments had strong performance growing 9% to a market value of $1.2 billion.

- Over $10 million in contributions were made to the endowment in the current year. Along with strong returns, the endowment grew $35 million to end the year at $805 million. The University withdrew $38 million from the endowment to fund scholarships, programming and other current operating activity.

The makeup of the University's investment pool is summarized below:



2022-23

CONSOLIDATED FINANCIAL STATEMENTS

INDEPENDENT AUDITOR'S REPORT

Board of Trustees
University of Dayton
Dayton, Ohio

Opinion
We have audited the consolidated financial statements of the University of Dayton (the University), which comprise the consolidated statements of financial position as of June 30, 2023 and 2022, the related consolidated statement of activities, and cash flows for the years then ended, and the related notes to the consolidated financial statements (collectively, 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, 2023 and 2022, 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 the University and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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

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

RSM US LLP

Dayton, Ohio
October 13, 2023

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

YEAR ENDED JUNE 30, 2023 AND 2022
(IN THOUSANDS)

	2023	2022
Assets		
Cash	**$ 73,201**	$ 107,807
Accounts receivable, net (Note 3)	**70,119**	76,240
Pledges receivable, net (Note 3)	**22,682**	20,373
Inventories, prepaid expenses and other	**7,950**	6,778
Notes receivable, net (Note 3)	**3,595**	4,364
Investments - restricted bond reserves	**18,782**	-
Investments and assets held by others (Note 4, 6, 12)	**1,163,762**	1,090,980
Right-of-use assets - finance leases (Note 7)	**2,742**	2,472
Right-of-use assets - operating leases (Note 7)	**7,819**	4,145
Land, buildings and equipment (Note 8)	**754,166**	725,162
Total assets	**$ 2,124,818**	$ 2,038,321
Liabilities		
Accounts payable	**$ 38,977**	$ 35,075
Accrued payroll and compensated absences	**27,007**	27,881
Other liabilities	**23,086**	25,903
Deferred revenue and student deposits	**10,371**	10,424
Lease liabilities - finance leases (Note 7)	**2,080**	2,117
Lease liabilities - operating leases (Note 7)	**8,769**	5,699
Split interest agreement obligations (Note 6)	**8,272**	8,323
Interest rate swap obligations (Note 10, 12)	**1,520**	2,769
Indebtedness (Note 9)	**380,096**	354,372
Accrued postretirement benefits (Note 11)	**32,813**	34,765
Advances from government for federal loans	**1,600**	2,645
Total liabilities	**534,591**	509,973
Net Assets (Note 13)		
Without donor restrictions	**1,116,755**	1,077,980
With donor restrictions	**472,093**	449,653
Noncontrolling interest	**1,379**	715
Total net assets	**1,590,227**	1,528,348
Total liabilities and net assets	**$ 2,124,818**	$ 2,038,321

See notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF ACTIVITIES

YEAR ENDED JUNE 30, 2023
(IN THOUSANDS)

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues, gains and other support:			
Student tuition and fees	$ 437,896	$ -	$ 437,896
Less student aid	(263,343)	-	(263,343)
	174,553	-	174,553
Private gifts, grants and other (Note 15)	19,135	34,610	53,745
Private research contracts	12,888	-	12,888
Government grants and contracts	225,331	1,855	227,186
Investment return designated for current operations (Note 4)	47,547	16,997	64,544
Auxiliary enterprises	109,380	-	109,380
Related entities	27,128	-	27,128
	615,962	53,462	669,424
Net assets released from restrictions	31,481	(31,481)	-
Total revenues, gains, and other support	647,443	21,981	669,424
Expenditures:			
Salaries and benefits	343,189	-	343,189
Interest expense	13,986	-	13,986
Depreciation	34,779	-	34,779
Cost of sales	16,162	-	16,162
Contract services and maintenance	105,618	-	105,618
Supplies	22,303	-	22,303
Utilities and communications	14,793	-	14,793
Other expenditures	82,696	-	82,696
	633,526	-	633,526
Change in net assets from operations	13,917	21,981	35,898
Other activities:			
Investment return in excess of amounts designated for current operations (Note 4)	18,131	7,735	25,866
Actuarial change in annuities	-	(979)	(979)
Change in interest rate swap agreements	1,248	-	1,248
Bond issuance costs write off	2,441	-	2,441
Gain on disposals	(492)	-	(492)
Net assets released from restriction	6,297	(6,297)	-
Change in postretirement benefit obligation (Note 11)	(2,103)	-	(2,103)
Change in other activities	25,522	459	25,981
Change in net assets	39,439	22,440	61,879
Less change in net assets attributable to to the noncontrolling interest	(664)	-	(664)
Change in net assets attributable to the University of Dayton	38,775	22,440	61,215
Net assets at beginning of year	1,077,980	449,653	1,527,633
Net assets at end of year	$ 1,116,755	$ 472,093	$ 1,588,848

See notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF ACTIVITIES

YEAR ENDED JUNE 30, 2022
(IN THOUSANDS)

	Without Donor Restrictions	With Donor Restrictions	Total
Revenues, gains and other support:			
Student tuition and fees	$ 437,321	$ -	$ 437,321
Less student aid	(252,322)	-	(252,322)
	184,999	-	184,999
Private gifts, grants and other (Note 15)	16,195	34,254	50,449
Private research contracts	9,771	54	9,825
Government grants and contracts	212,107	18,182	230,289
Investment return designated for current operations (Note 4)	31,792	10,927	42,719
Auxiliary enterprises	106,686	-	106,686
Related entities	21,937	-	21,937
	583,487	63,417	646,904
Net assets released from restrictions	44,334	(44,334)	-
Total revenues, gains, and other support	627,821	19,083	646,904
Expenditures:			
Salaries and benefits	324,429	-	324,429
Interest expense	13,222	-	13,222
Depreciation	40,392	-	40,392
Cost of sales	14,464	-	14,464
Contract services and maintenance	97,002	-	97,002
Supplies	22,671	-	22,671
Utilities and communications	9,933	-	9,933
Other expenditures	80,004	-	80,004
	602,117	-	602,117
Change in net assets from operations	25,704	19,083	44,787
Other activities:			
Investment return deficient from amounts designated for current operations (Note 4)	(16,306)	(61,843)	(78,149)
Actuarial change in annuities	-	764	764
Loss on pledge write-off	-	(237)	(237)
Change in interest rate swap agreements	2,949	-	2,949
Gain on disposals	5,522		5,522
Change in postretirement benefit obligation (Note 11)	8,708	-	8,708
Net assets released from restrictions	7,604	(7,604)	-
Reclassification of net assets	(21,080)	21,080	-
Change in other activities	(12,603)	(47,840)	(60,443)
Change in net assets	13,101	(28,757)	(15,656)
Less change in net assets attributable to to the noncontrolling interest	(100)	-	(100)
Change in net assets attributable to the University of Dayton	13,001	(28,757)	(15,756)
Net assets at beginning of year	1,064,979	478,410	1,543,389
Net assets at end of year	$ 1,077,980	$ 449,653	$ 1,527,633

See notes to consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

YEAR ENDED JUNE 30, 2023 AND 2022
(IN THOUSANDS)

	2023	2022
Operating activities:		
Change in net assets	$ **61,879**	$ (15,656)
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:		
Depreciation	**31,816**	37,673
Amortization of premium on bond and debt issuance costs	**(4,733)**	(2,113)
Amortization of right to use asset and other	**2,963**	2,719
Gifts for restricted purposes	**(34,610)**	(34,254)
Net realized and unrealized (gains) losses on investments	**(60,926)**	63,638
(Income)/loss restricted for long-term investment	**(1,589)**	1,945
Change in accrued postretirement benefit obligation	**(1,952)**	(11,970)
Loss on interest rate swap agreements	**(1,249)**	(2,949)
Cash (used in) provided by operating assets and liabilities:		
Decrease in receivables	**3,812**	7,055
(Increase) decrease in inventories and prepaid expenses and other	**(1,172)**	611
Increase in accounts payable, accrued liabilities, and other liabilities	**160**	2,117
(Decrease) increase in deferred revenue and student deposits	**(53)**	602
(Decrease) in lease liability	**(2,711)**	(2,485)
Net cash (used in) provided by operating activities	**(8,365)**	46,933
Investing activities:		
Income/(loss) restricted for long-term investment	**1,589**	(1,945)
Proceeds from the sale of investments	**67,753**	68,883
Purchases of investments	**(98,391)**	(86,826)
Decrease in notes receivable	**769**	948
Additions of land, buildings and equipment, net of nominal disposals	**(60,820)**	(30,658)
Net cash used in investing activities	**(89,100)**	(49,598)
Financing activities:		
Decrease in advances from government for federal loans	**(1,045)**	(1,337)
Gifts for restricted purposes	**34,610**	34,254
Payments of lease liabilities	**(1,163)**	(874)
Proceeds on indebtedness	**88,035**	-
Premium on bond issuance	**8,274**	-
Payment of debt issuance costs	**(705)**	-
Payments on indebtedness	**(65,147)**	(15,900)
Net cash provided by financing activities	**62,859**	16,143
Net (decrease) increase in cash	**(34,606)**	13,478
Cash:		
Beginning	**107,807**	94,329
Ending	$ **73,201**	$ 107,807

See notes to consolidated financial statements.

Note 1. Description of the University

The University of Dayton (the University) is an independent, coeducational institution founded and sponsored by the Society of Mary (the Marianists), a Roman Catholic Institute of Consecrated Life. The University is located in Dayton, Ohio and is one of the nation's largest Catholic institutions of higher learning. Its students are actively recruited from all states, as well as from over 100 foreign nations. The student population approximates 8,443 undergraduate and 3,327 graduate students. The University awards baccalaureate, masters, and select doctoral degrees in programs within the College of Arts and Sciences and four professional schools: the School of Business Administration, the School of Education and Health Sciences, the School of Engineering, and the School of Law. Through these academic units, University libraries and its Research Institute, the University conducts a wide variety of academic and scientific research.

The accompanying consolidated financial statements present the accounts of the following entities, hereafter referred to as the University:

- The University of Dayton
- Nine legal limited liability companies that own interests in real estate near the University's campus, and of which the University is the sole member
- UDCI, Ltd., a limited liability company established to hold the University's interests in its operations in China, and of which the University is the sole member
- The River Park Community Corporation, a separate nonprofit corporation engaged in activities related to the University, and of which the University is the sole member
- 111 River Park, LLC, a wholly owned affiliate of The River Park Community Corporation
- River Park Development II, LLC, a wholly owned affiliate of The River Park Community Corporation
- 1414 South Patterson, LLC, a limited liability company established to hold the University's interests in a real estate joint venture, and of which the University is the sole member
- Dayton Hotel II, LLC and Concord Dayton Hotel II, LLC, both of which are controlled by 1414 South Patterson, LLC and established to own and operate a hotel adjacent to the University's campus which the University is a 90% owner
- 1401 South Main, LLC, a limited liability company established to hold the University's interests in the real estate and operations of an office building adjacent to campus, and of which the University is the sole member
- Arcade Innovation Hub, LLC, a limited liability company established with Dayton/Miami Valley Entrepreneurs Center, Inc. to own a transdisciplinary space for innovation and creation which the University is 75% owner

Note 2. Summary of Significant Accounting Policies

The following is a summary of significant accounting policies followed in the preparation of the accompanying consolidated financial statements.

Basis of presentation: The consolidated financial statements include the accounts of all controlled affiliates that are required to be consolidated, and all intercompany transactions and balances have been eliminated. The amount of net assets allocated to the noncontrolling members are reflected as noncontrolling interests in the consolidated financial statements. Investments in joint ventures for which the University does not have control or is not the primary beneficiary, but has the ability to exercise significant influence over the operating and financial policies, are accounted for under the equity method. Accordingly, the University's share of net earnings and losses from these ventures is included in the consolidated statements of activities.

Net assets: Net assets are classified into two categories: without donor restrictions, that are free of donor imposed restrictions as well as net assets designated by the governing board; and with donor restrictions, which have donor-imposed restrictions. The latter category has restrictions that will be met either by actions of the University or by the passage of time. Also included in this category are net assets subject to donor-imposed restrictions to be maintained permanently by the University.

The expiration of a donor restriction on a contribution or endowment income is recognized in the period in which the restriction expires, and at that time, the related resources are reclassified to net assets without donor restrictions. A restriction expires when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both.

Contributions of long-lived assets, such as land, buildings, or equipment without donor restrictions concerning the use are reported as revenue of the net asset class without donor restrictions. Such gifts are recorded at fair value at the date of donation. Contributions of cash or other assets that must be used to acquire long-lived assets are reported as revenue with donor restrictions. Donor restrictions are considered released upon acquisition of the asset.

Net assets are released from donor restriction by incurring expenses satisfying the restricted purposes, by occurrence of events specified by the donors, or by the change of restrictions specified by the donors. Contributions received with donor restrictions, where the restrictions are met in the same fiscal year, are reported as net assets without donor restrictions.

Related-party transactions: The Marianists are a separate entity from the University. Members of the Marianists may serve on the faculty and staff of the University under employment agreements; however, they are not eligible to participate in the University's retirement programs. On an annual basis, the University reimburses the Marianists an amount equivalent to the salaries and benefits of employed members. The reimbursement was $1,104 in 2023 and $1,028 in 2022. The University's intent is to compensate the Marianists at a rate comparable to University employees in similar positions. The Marianists contribute funds to the University, which are recorded as gifts. These gifts were $227 and $248 in 2023 and 2022, respectively. A pledge was recorded in 2021 for $100, with $40 received in 2021, $40 received in 2022, and $20 received in 2023.

Liquidity: Assets and liabilities are listed in their estimated order of liquidity. For accounts with undeterminable liquidity, the University has made additional disclosures in the accompanying notes to the consolidated financial statements.

(IN THOUSANDS)

Note 2. Summary of Significant Accounting Policies (Continued)

Revenue recognition: Revenue is recognized as performance obligations are satisfied, which are determined based on the nature of the services and goods provided.

Tuition and fees revenue is reported within the fiscal year in which educational services are provided. Tuition and fees relating to summer sessions that begin after June 30 are recorded in the consolidated statements of financial position as deferred revenue.

Scholarships and fellowships awarded to students for tuition, fees, and room and board are based upon need and merit. These awards include amounts funded by the endowment, research funds, and gifts, and reduce the published price of tuition for students receiving such aid. As such, institutional aid is referred to as a tuition discount and represents the difference between the stated charge for tuition and fees and the amount that is billed to the student and/or third parties making payments on behalf of the student. Institutional aid is netted against tuition and fees in the consolidated statements of activities as:

	2023	2022
Scholarships and fellowships:		
Institutionally funded	$ 249,870	$ 242,028
Externally funded—gifts and grants	13,473	10,294
Total amount netted against tuition and fees revenue	$ 263,343	$ 252,322

The University receives grant and contract revenues from various governmental and corporate sources. The funding may represent a reciprocal transaction in exchange for an equivalent benefit in return. Revenues from reciprocal transactions are recognized as the performance obligations are met, which is generally as the related costs are incurred. The funding may also represent a nonreciprocal transaction in which the resources provided are for the benefit of the University, the funding organization's mission, or the public at large. Revenue from nonreciprocal transactions are considered contributions and are recognized when conditions have been substantially met.

Gifts of cash, property, and marketable securities are recorded as revenue at fair value when received. Unconditional pledges are recognized as revenue based on the estimated present value of the future cash flows, net of allowances, when the commitment is received. Pledges made and collected in the same reporting period are recorded when received in the appropriate net asset category. Conditional pledges are recorded as revenue only when donor conditions are substantially met. Conditional promises not reflected in the consolidated financial statements, which consist primarily of the difference between the award amount and the revenue recognized for the non-exchange transactions were $574,397 and $309,756 as of June 30, 2023 and 2022, respectively.

Deferred revenue is primarily composed of amounts received for grants and contracts that are not billed on a cost reimbursement basis and student tuition received, but not yet been earned. If services are conducted over a fiscal year-end, deferred revenue is recorded for all revenue related to programs predominately conducted in the next fiscal year when performance obligations are met. The beginning balance of deferred revenue was $9,822 at July 1, 2021.

Note 2. Summary of Significant Accounting Policies (Continued)

Auxiliary enterprises include residence halls, food services, retail stores, and athletics. Fee charges are directly related to the costs of services rendered to provide student housing and dining facilities, ticket sales for athletic and community events, parking services, grants from the NCAA and other miscellaneous activities. These services exist to furnish goods or services to students, faculty, staff, or incidentally to the general public, and fees charged are directly related to, although not necessarily equal to, the cost of the goods or services.

Performance obligations for housing and dining services are delivered over the academic terms. Consequently, revenue from housing and dining services is recognized ratably as services are rendered. Other revenues are directly related to the costs of services rendered and are recognized as revenue when the services or goods are delivered.

Cash and cash equivalents: Cash and cash equivalents include all cash and highly liquid investments that are neither internally nor externally restricted. The University considers highly liquid investments to be cash equivalents when they are both readily convertible to cash and so near to maturity (typically within 90 days) when acquired that their value is not subject to substantial risk due to changes in interest rates.

Accounts receivable, net: Accounts receivable consist of amounts due to the University for tuition, grants and contracts, and other revenue generated by the University. The University has recorded an allowance for doubtful accounts based on management's assessment of collectability while considering historical collection results as well as current business and economic conditions. Amounts are recorded at estimated net realizable value. The beginning balance of accounts receivable was $76,515 at July 1, 2021.

Pledges receivable, net: Pledges are recorded as revenue in the year the pledge is made. Unconditional donor pledges to give cash, marketable securities, and other assets are reported using a discounted cash flow approach. The discount rates used range from 0.4% to 7.0% depending on the year the pledge was received. Conditional donor promises to give and indications of intentions to give are not recognized until the condition is satisfied. Pledges received with donor restrictions that limit the use of the donated assets are reported as with donor restrictions support until the donor restriction expires. Most unconditional pledges are designated for scholarships and general operating purposes. An allowance is recorded for amounts deemed uncollectible.

Inventories: Inventories are stated at the lower of cost or market. The auxiliary operations determine cost using the first in, first out method. Facilities determines cost using an average cost method.

Notes receivable, net: Notes receivable consist of a loan associated with the office and research facility and from student loans under government loan programs. An allowance for doubtful accounts has been recorded based on management's assessment of collectability while considering historical collection results as well as current business and economic conditions. The notes are recorded at estimated net realizable value.

Note 2. Summary of Significant Accounting Policies (Continued)

Investments and assets held by others: The University invests its endowed funds and other funds in a variety of marketable securities and alternative investments. Investments in marketable debt and equity securities are carried at fair market value based on quoted market prices or the last reported sale price on the last business day of the fiscal year.

Alternative investments include limited partnerships, private equity, hedge funds and real estate partnerships, do not have readily determinable fair values, and are carried at the University's proportionate share of the fund's net asset value used as a practical expedient. Such fair value estimates are based upon the funds' net asset value at its year end, adjusted for any contributions, distributions and earnings between the funds' year end and the University's year end. In management's opinion, the stated values approximate fair value. Due to the inherent uncertainty of valuation, the estimated values may differ from values that would have been used had a readily available market value for the investments existed, and such differences may be material.

The weighted average method is used for purposes of determining gains and losses on the sale of marketable securities. Interest and dividend income is recorded when earned.

The University also holds certain real estate investments that are not readily marketable. These investments are accounted for using the equity method.

In addition, the University has assets held by others which represent the present value of the estimated income the University will receive in the future from beneficial interest in trusts for which third parties serve as the trustees.

Split interest agreements: The University has entered into split interest agreements, including charitable remainder trusts and gift annuities which provide that the University, as trustee, make payments to designated beneficiaries in accordance with the applicable donor's trust or contractual agreement. The University is also the beneficiary of charitable trusts held by third party trustees. Assets held under these agreements are included in investments and are recorded at fair value. At the date of contribution, the University records a split interest agreement obligation to life beneficiaries based on the present value of the estimated payments to designated life beneficiaries. The split interest agreement obligation is recorded as a liability on the consolidated statements of financial position. Obligations under split interest agreements are recorded at the present value of estimated payments (based on actuarially determined life expectancy tables, trust asset growth assumptions, and discount rates ranging from 0.6% to 10.0%). The annual change in the value of the split interest agreement obligation to life beneficiaries is reflected in the consolidated statements of activities and represents the change in actuarial assumptions as well as the revenues and expenses of the trust.

Note 2. Summary of Significant Accounting Policies (Continued)

Leases: The University determines whether an arrangement is or contains a lease at the inception of the arrangement based on the unique facts and circumstances present in that arrangement. This determination generally depends on whether the arrangement conveys the right to control the use of an identified asset explicitly or implicitly for a period of time in exchange for consideration. Control of an underlying asset is conveyed if the University obtains the rights to direct the use of, and to obtain substantially all of the economic benefit from, the use of the underlying asset. Some of the University's leases include both lease and nonlease components, which are accounted for as a single lease component as allowed for under the practical expedient in Accounting Standards Codification (ASC) 842-10-15-37. Some operating lease agreements include variable lease costs, including taxes, and common area maintenance or increases in rental costs related to inflation. Such variable payments, other than those dependent upon a market index or rate, are expensed when the obligation for those payments is incurred. Lease expense is recorded in operating expenses in the consolidated statements of activities. The University's lease agreements do not contain any material residual value guarantees or material restrictive covenants. Leases with an initial term of 12 months or less that do not include an option to purchase the underlying asset that the University is reasonably certain to exercise are considered short-term leases and are not recorded on the consolidated statements of financial position.

Right-of-use assets and lease liabilities are recognized at each lease's commencement date based on the present value of its lease payments over its respective lease term. Right-of-use assets are depreciated over the shorter of the lease term or their respective useful lives, ranging from 5-15 years. When a borrowing rate is not explicitly available for a lease, the University's incremental borrowing rate is used based on information available at the lease's commencement date to determine the present value of its lease payments. Operating lease payments are recognized on a straight-line basis over the lease term.

The University has operating leases for vehicles, office and research equipment as well as research, housing, and retail buildings used in operations. The University also has finance leases composed primarily of furnishings and computer hardware. These leases have remaining lease terms of less than one year to greater than five years, some of which include renewal options. The University considers these renewal options in determining the lease term used to establish right-of-use assets and lease liabilities when it is determined that it is reasonably certain that the renewal option will be exercised.

Land, buildings and equipment: Property and equipment is recorded at cost, at date of acquisition or fair value at date of donation, in the case of gifts. Depreciation of buildings, land improvements, and equipment is recorded using the straight-line method over the estimated useful lives of 45 years, 20 years, and 3 to 15 years, respectively. The cost of repairs and maintenance is expensed in the year incurred.

Derivative instruments: The University has entered into interest rate swap agreements to reduce the costs of and exposure to significant, unanticipated fluctuations caused by interest-rate volatility on certain variable rate debt. The University's goal is to lower (whenever possible) the cost of its borrowed funds. In accordance with the Accounting for Derivative Instruments and Hedging Activities Topics of the ASC, the University recognizes its derivative financial instruments as either assets or liabilities at fair value in the consolidated statements of financial position. The fair values of the interest rate swaps reflect the present value of the future potential gains or losses if settlement were to take place on the consolidated statements of financial position date. The derivative instruments are not designated as hedging instruments and, therefore, gains and losses on the derivative instruments are recorded as other income (expense) in the consolidated statements of activities during the period of change.

Note 2. Summary of Significant Accounting Policies (Continued)

Advances from government for federal loans: Funds provided by the United States government under the Federal Perkins Loan Program are loaned to qualified students. These funds are ultimately refundable to the government and are recorded as a liability in the accompanying consolidated statement of financial position. The Federal Perkins Loan Program expired September 30, 2017, and the University may not disburse Perkins loans to any student on or after October 1, 2017, except for subsequent disbursements of loans first disbursed between June 30, 2017 and September 30, 2017. The University will be liquidating its Federal Perkins Revolving Loan Fund at the direction of the Department of Education.

Other expenditures: Other expenditures on the consolidated statements of activities are expenditures for travel, leases, insurances, taxes, licenses, membership dues and other general expenditures of the University.

Income taxes: The University is recognized by the Internal Revenue Service (IRS) as an organization exempt from federal taxation under Section 501(c)(3) of the Internal Revenue Code (IRC). The University is a public charity as defined by IRC Section 170(b)(1)(A)(ii). The University is exempt from federal income taxes except to the extent of income derived from unrelated business activities. Unrelated business income is not material to the consolidated financial statements. The entities for which the University is the sole member are disregarded for tax purposes. Any activity from these entities is included in the tax return of the University.

The River Park Community Corporation has been recognized by the Internal Revenue Service as a title holding corporation exempt from federal taxation under Section 501(c)(2) of the IRC. The River Park Community Corporation is exempt from federal income taxes except to the extent of income derived from unrelated business activities.

Tax returns filed by the University and River Park Community Corporation are subject to examination by the IRS up to three years from the filing date of each return. Forms 990 and 990T filed by the entities are no longer subject to examination for the years 2019 and prior.

The University completed an analysis of its tax position, in accordance with ASC 740, Income Taxes, and determined that no amounts were required to be recognized in the consolidated financial statements as of June 30, 2023 or 2022.

Use of estimates: The preparation of the consolidated financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions. These estimates are used to determine the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements. Estimates also are used to determine the reported amounts of revenue, gains, and other support and expenditures during the reporting period. The actual results could differ from these estimates.

Functional expenses: Expenses have been classified as instruction, organized research, academic support, student services, institutional support, auxiliary enterprises and related entities (Note 16). These are classified based on direct expenditure where possible. Natural expenses attributable to more than one functional expense category are allocated proportionally by assigned square footage.

Note 2. Summary of Significant Accounting Policies (Continued)

Fair value measurements: The University follows the provisions of FASB ASC 820, Fair Value Measurements and Disclosures, which defines fair value 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, and establishes a framework for measuring fair value. ASC 820 defines a three-level hierarchy for fair value measurements based upon the transparency of inputs to the valuation of an asset or liability as of the measurement date.

ASC 820 emphasizes that fair value is a market-based measurement, not an entity-specific measurement. Therefore, a fair value measurement should be determined based on the assumptions that market participants would use in pricing the asset or liability. As a basis for considering market participant assumptions in fair value measurements, and as noted above, ASC 820 defines a three-level fair value hierarchy that distinguishes between market participant assumptions based on market data obtained from sources independent of the reporting entity and the reporting entity's own assumptions about market participants. The fair value hierarchy is based upon the transparency of inputs to the valuation of an asset or liability as of the measurement date. The three levels are defined as follows:

Level 1: Inputs utilize quoted market prices in active markets for identical assets or liabilities

Level 2: Inputs may include quoted prices for similar assets and liabilities in active markets, as well as inputs that are observable for the asset and liability (other than quoted prices), such as interest rates, foreign exchange rates, and yield curves that are observable at commonly quoted intervals

Level 3: Inputs are unobservable for the asset or liability, which is typically based on an entity's own assumptions, as there is little, if any, related market activity

In instances where the determination of the fair value measurement is based on inputs from different levels of the fair value hierarchy, the level in the fair value hierarchy within which the entire fair value measurement falls is based on the lowest level input that is significant to the fair value measurement in its entirety. The University's assessment of the significance of a particular input to the fair value measurement requires judgment and considers factors specific to the asset or liability.

Reclassification: Certain reclassifications have been made to the 2022 consolidated financial statement presentation to conform to the 2023 presentation.

Subsequent events: The University has evaluated and disclosed any subsequent events through October 13, 2023, which is the date the consolidated financial statements were issued and made available.

New accounting pronouncements:

FASB ASU 2018-14, *Compensation—Retirement Benefits—Defined Benefit Plans—General (Subtopic 715-20): Disclosure Framework—Changes to the Disclosure Requirements for Defined Benefit Plans*, modifies the disclosure requirements for employers that sponsor defined benefit pension or other postretirement plans. The adoption of the new standard did not have a material impact on the consolidated financial statements for the fiscal year ending June 30, 2023.

(IN THOUSANDS)

Note 2. Summary of Significant Accounting Policies (Continued)

FASB ASU 2016-13, *Financial Instruments—Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*, which creates a new credit impairment standard for financial assets measured at amortized cost and available-for-sale debt securities. The ASU requires financial assets measured at amortized cost (including loans, trade receivables and held-to-maturity debt securities) to be presented at the net amount expected to be collected, through an allowance for credit losses that are expected to occur over the remaining life of the asset, rather than incurred losses. The ASU requires that credit losses on available-for-sale debt securities be presented as an allowance rather than as a direct write-down. The measurement of credit losses for newly recognized financial assets (other than certain purchased assets) and subsequent changes in the allowance for credit losses are recorded in the consolidated statements of income as the amounts expected to be collected change. The ASU is effective for fiscal years beginning after December 15, 2022, including interim periods within those fiscal years. The adoption of the new standard did not have a material impact on the consolidated financial statements for the fiscal year ending June 30, 2023.

Note 3. Receivables

Accounts receivable, net: Accounts receivable consist of the following as of June 30:

	2023	2022
Amounts due from students for tuition and other costs	$ 8,325	$ 8,736
Grants and contracts	53,848	51,668
Related entities activity	6,200	6,320
Direct student loan proceeds and other	5,297	12,653
	73,670	79,377
Less allowance for doubtful accounts	(3,551)	(3,137)
Total accounts receivable, net	$ 70,119	$ 76,240

Pledges receivable, net: Outstanding pledges receivable as of June 30, 2023 and 2022, respectively, are as follows:

	2023	2022
Less than one year	$ 11,598	$ 11,846
One to five years	12,312	9,695
More than five years	828	382
	24,738	21,923
Less discount on pledges	(862)	(507)
Less allowance for uncollectible pledges	(1,194)	(1,043)
Total pledges receivable, net	$ 22,682	$ 20,373

Notes receivable, net: Notes receivable consist of the following as of June 30:

	2023	2022
Student loans under government loan programs	$ 2,229	$ 3,821
Other notes	1,796	1,820
	4,025	5,641
Less allowance for doubtful accounts for student loans	(430)	(1,277)
Total notes receivable, net	$ 3,595	$ 4,364

(IN THOUSANDS)

Note 4. Investments

The carrying value of investments at June 30 is reflected in the following table:

	2023	2022
Short term money market funds	$ 28,367	$ 9,497
Fixed maturity:		
U.S. Treasuries	12	12
Mutual funds and pooled accounts:		
Domestic	3,483	3,844
Individual securities:		
Domestic	104,484	104,520
Total fixed maturity	107,979	108,376
Equities:		
Mutual funds and pooled accounts:		
Domestic	31,149	30,929
International	209,642	188,784
Individual securities:		
Domestic	284,597	240,857
Total equities	525,388	460,570
Exchange traded commodities and real assets	2,437	2,218
Hedge funds	207,410	203,555
Private equity funds	264,652	257,957
Real estate and real estate funds	43,785	46,356
Assets held by others	1,136	1,088
Other	1,390	1,363
Total	$ 1,182,544	$ 1,090,980

Approximately $1,128,669 and $1,058,221 of the carrying value of investments as of June 30, 2023 and 2022, respectively, is invested in the University's long-term investment pool (the pool). The pool includes the University's endowment funds.

Some of the investments, including the real estate and real estate funds, limited partnerships, hedge funds and private equity investments, have time restrictions on redemption. These restrictions vary from six months to the stated term of the limited partnership, trust, or fund, which may be longer than one year. During this period, the University may not be able to readily sell or convert certain holdings in the pool to cash. Funds that have restrictions on liquidity in excess of one year are approximately $291,197 and $294,185 as of June 30, 2023 and 2022, respectively, and range from two to seven years in duration.

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 possible that changes in the values of investment securities may occur in the near term and those changes could materially affect the amounts reported in the consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(IN THOUSANDS)

Note 4. Investments (Continued)

The following tables summarize the gross return on investments and its classification in the consolidated statements of activities as of June 30:

	2023		
	Without Donor Restrictions	With Donor Restrictions	Total
Dividends and interest earnings	$ 19,688	$ 6,755	$ 26,443
Net realized and unrealized gains	45,990	17,977	63,967
Net return on investments	65,678	24,732	90,410
Investment return designated for current operations	(47,547)	(16,997)	(64,544)
Investment return in excess of amounts designated for current operations	$ 18,131	$ 7,735	$ 25,866

	2022		
	Without Donor Restrictions	With Donor Restrictions	Total
Dividends and interest earnings	$ 21,503	$ 6,705	$ 28,208
Net realized and unrealized losses	(6,017)	(57,621)	(63,638)
Net return on investments	15,486	(50,916)	(35,430)
Investment return designated for current operations	(31,792)	(10,927)	(42,719)
Investment deficient from amounts designated for current operations	$ (16,306)	$ (61,843)	$ (78,149)

Note 5. 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, 2023 and 2022, comprise the following:

	2023	2022
Financial assets at year end:		
Cash	$ 73,201	$ 107,807
Accounts receivable—net	70,119	76,240
Pledges receivable—net	22,682	20,373
Notes receivable—net	3,595	4,364
Investments - restricted bond reserves	18,782	-
Investments and assets held by others	1,163,762	1,090,980
Total financial assets	1,352,141	1,299,764
Less amounts not available to meet cash needs for general expenditures within one year:		
Accounts receivables greater than a year	(828)	(8,700)
Pledge payments greater than a year or with donor restrictions	(19,638)	(14,965)
Notes receivables greater than a year	(3,502)	(4,272)
Investments not available due to contractual restrictions—bond reserves	(18,782)	-
Amounts not available due to donor or board restrictions	(820,790)	(781,845)
Financial assets available to meet cash needs for general expenditures within one year	$ 488,601	$ 489,982

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(IN THOUSANDS)

Note 5. Liquidity and Availability (Continued)

The cash flows of the University vary throughout the fiscal year due to tuition billings as well as contributions that increase during calendar year and fiscal year ends. Our practice is to regularly monitor our liquidity needs to meet our operating and other contractual commitments, while optimizing any short-term excess cash investing opportunities. To further manage liquidity, the University also maintains bank lines of credit.

Note 6. Split Interest Agreements

A summary of assets held and related obligations related to split interest agreements as of June 30 follows:

	2023	2022
Assets:		
Investments:		
Charitable remainder trusts	$ 10,106	$ 9,736
Charitable gift annuities	4,378	4,299
Total	$ 14,484	$ 14,035
Liabilities:		
Split interest agreement obligations:		
Charitable remainder trusts	$ 6,029	$ 5,960
Charitable gift annuities	2,243	2,363
Total	$ 8,272	$ 8,323
Net:		
Charitable remainder trusts	$ 4,077	$ 3,776
Charitable gift annuities	2,135	1,936
Total	$ 6,212	$ 5,712

Note 7. Right-of-Use Assets and Lease Liabilities

The components of lease expense at June 30, 2023 and 2022, are as follows:

	2023	2022
Finance lease expense:		
Amortization of right-of-use assets	$ 830	$ 724
Interest on lease liabilities	38	32
Operating lease expense	2,113	1,525
Variable lease expense	433	403
Short-term lease expense	841	534
Total lease expense	$ 4,255	$ 3,218
Other Information:		
Weighted-average remaining lease term—finance leases	2.92 years	2.80 years
Weighted-average remaining lease term—operating leases	3.62 years	3.29 years
Weighted-average discount rate-finance leases	2.58%	1.35%
Weighted-average discount rate-operating leases	2.26%	1.10%

(IN THOUSANDS)

Note 7. Right-of-Use Assets and Lease Liabilities (Continued)

Non-cash right-of-use assets obtained in exchange for new lease obligations during fiscal year 2023 were $5,807 and $1,100 for operating and finance leases, respectively.

Payments due include options to extend leases that are reasonably certain through fiscal year 2027 and are summarized below as of June 30, 2023:

	Finance	Operating
Fiscal Year:		
2024	$ 986	$ 2,664
2025	610	2,101
2026	441	1,480
2027	114	715
2028	18	540
Thereafter	-	1,590
	2,169	9,090
Less amounts representing interest	(89)	(321)
Total lease liabilities	$ 2,080	$ 8,769

Note 8. Land, Buildings and Equipment

The following is a summary of land, buildings and equipment at June 30:

	2023	2022
Buildings	$ 878,066	$ 856,859
Equipment	189,782	186,660
Land and land improvements	115,379	113,269
Library books	90,079	87,671
Renovations in progress	44,752	16,661
	1,318,058	1,261,120
Accumulated depreciation	(563,892)	(535,958)
	$ 754,166	$ 725,162

Construction commitments: During 2021, the University committed to constructing a facility for the performing arts known as Roger Glass Center for the Arts. The budgeted costs for this new facility are estimated to total $45,200. As of June 30, 2023, the University was contractually committed for construction and architectural services totaling $11,048. The University had incurred $33,028 of costs through June 30, 2023.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(IN THOUSANDS)

Note 9. Indebtedness

The University finances the construction, renovation, and acquisition of certain facilities through the issuance of debt obligations which may include bonds, bank loans, and other borrowings. Total indebtedness for the years ended June 30 was as follows:

	2023	2022
Notes and term loan:		
Term loan—1401 S Main	$ 1,980	$ 1,980
Senior secured note	12,970	15,070
Other various notes	549	2,499
Revenue bonds:		
2003, due serially until maturity in 2024, interest at variable rate based upon CPI plus a stated spread	1,225	2,400
2006, due serially until maturity in 2024, interest at variable rates based upon CPI plus a spread	3,620	8,965
2013, paid off in 2023, interest from 3.0%-5.0%	-	46,895
2015A, due serially until maturity in 2046, interest from 3.0%-5.0%	49,775	49,775
2015B, due serially until maturity in 2036, interest from 0.9%-4.335%	14,980	15,820
2016A, due serially until maturity in 2026, interest at variable rates based on term SOFR plus ten basis points, plus a stated spread.	25,500	26,375
2016B, due serially until maturity in 2031, interest rate 2.21%	20,870	20,870
2018A, due serially until maturity in 2049, interest from 3.0%-5.0%	63,490	64,730
2018B, due serially until maturity in 2036, interest from 4.0%-5.0%	42,540	44,370
2020, due serially until maturity in 2042, interest from 3.0%-5.0%	37,040	37,040
2022A, due serially until maturity in 2052, interest rate from 4.0%-5.0%	46,080	-
2022B, due serially until maturity in 2044, interest rate 5.0%	39,060	-
	359,679	336,789
Net unamortized premium	22,903	20,054
Net unamortized issuance cost	(2,486)	(2,471)
	$ 380,096	$ 354,372

Under the terms of a New Market Tax Credit financing arrangement in 2018, the University borrowed $1,980 under a term loan agreement with a regional new market fund. This term loan is unsecured and bears interest at a fixed rate of 2.92% and matures on November 1, 2025. The loan requires monthly payments of only interest through October 31, 2025. On November 1, 2025, the University is required to make a lump sum principal payment of $1,980.

The senior secured note is an amortizing loan at a fixed interest rate of 3.98% with a final maturity of December 17, 2026. The proceeds were used to finance the purchase and planned renovation of a hotel adjacent to the University's campus; the note is secured by a mortgage on this real estate. Monthly principal payments range from $62 to $202 through November 2026, with a balance of $5,203 due at maturity.

(IN THOUSANDS)

Note 9. Indebtedness (Continued)

On March 20, 2020, the Coronavirus Aid, Relief, and Economic Security Act (CARES Act) was enacted to, amongst other provisions, provide emergency assistance for individuals, families, and businesses affected by the coronavirus pandemic. The CARES Act established the Paycheck Protection Program (PPP), which was administered by the U.S. Small Business Administration (SBA), to provide loans to help offset certain payroll and other operating costs. A subsidiary of the University applied for, and was awarded, an unsecured PPP loan in the amount of $1,250 on April 20, 2020, and a second unsecured PPP loan in the amount of $1,831 on April 21, 2021, calculated on the basis of documented payroll costs. The loans and accrued interest were forgivable as long as the borrower used the loan proceeds for eligible purposes, including payroll, benefits, rent, and utilities, and maintained payroll levels during the subsequent 24-week period. In July 2021, the University received confirmation from the SBA that the full amount of the first PPP loan in the amount of $1,250 had been forgiven. In July 22, the University received confirmation from the SBA that $1,611 of the second unsecured PPP loan had been forgiven and the remainder repaid.

The University uses the proceeds from Revenue Bonds to finance the construction and renovation of facilities related to the University's academic purpose. Revenue Bonds are structured as long-term leases with the State of Ohio Higher Education Facility Commission. Under the terms of these indentures, the buildings and facilities (historical cost totaling over $495,021) are pledged as security, in addition to University revenue and the full faith and credit of the University. Upon repayment of the Revenue Bonds and termination of the leases, ownership of the respective facilities is transferred to the University.

The outstanding bonds do not require mandatory reserves for future payments of principal and interest.

Bond obligations are generally callable by the University and mature at various dates through 2046. Maturities on debt obligations for the next five years and thereafter are:

2024	$	15,823
2025		16,504
2026		19,264
2027		21,876
2028		14,141
2029 and thereafter		272,071
Total	$	359,679

Interest expense was $13,986 for 2023 and $13,222 for 2022. Interest capitalized was $1,121 for 2023 and $0 for 2022. Cash paid for interest was $14,129 for 2023 and $15,327 for 2022.

As discussed more fully in Note 10, the University has entered into interest rate swap agreements that fix the interest rates on some of its variable rate debt.

The University maintains unsecured revolving credit agreements with two banks totaling $40,000. The agreements, which are $20,000 each, are due to expire on February 28, 2025 and January 31, 2024. As of June 30, 2023 and 2022, respectively, the University had no outstanding balances on these lines of credit.

As of June 30, 2023, the University had met all of the covenants required under its bond indentures and bank loans.

Note 10. Interest Rate Swap Obligations

The University uses interest rate swap agreements to manage interest rate risk associated with its variable rate debt. Under these agreements, the University and its counterparty agree to exchange the difference between the fixed and variable rate interest amounts calculated by reference to specified notional principal amounts during the agreement period. The difference between the fixed and variable interest amounts under the swap agreements is recorded as interest expense. The change in fair value of the interest rate swap agreements is recorded as a change interest rate swap agreements.

In August 2006, the University entered into an interest rate swap agreement with a notional amount of $22,350, with an adjustment to the notional amount at various amounts based on maturity terms within the agreement. The notional amount at June 30, 2023 and 2022 is $1,225 and $2,400 of the $54,100 State of Ohio Higher Education Facility Commission Converted 2003 Revenue Bonds whose interest rate was tied to the Consumer Price Index (CPI) at rates ranging from 4.09% to 4.44% for the bonds maturing between the dates of December 1, 2015 and December 1, 2023. The fair value of this agreement as of June 30, 2023 and 2022, is recorded as an asset of $8 and $24, respectively in the accompanying consolidated statements of financial position.

Also in August 2006, the University entered into an interest rate swap agreement with a notional amount of $25,995, with an adjustment to the notional amount at various amounts based on maturity terms within the agreement. The notional amount at June 30, 2023 and 2022, is $3,620 and $8,965, respectively. This agreement effectively fixed the interest rate on the portion of the $72,105 State of Ohio Higher Education Facility Commission, 2006 Revenue Bonds whose interest rate was tied to the CPI at rates ranging from 4.09% to 4.44% for the bonds maturing between the dates of December 1, 2015 through December 1, 2023. The fair value of this agreement as of June 30, 2023 and 2022, is recorded as an asset of $24 and $90, respectively in the accompanying consolidated statements of financial position.

In April 2007, the University entered into an interest rate swap agreement with a notional amount of $28,000, with an adjustment to the notional amount at various amounts based on maturity terms within the agreement. The notional amount at June 30, 2023 and 2022, is $25,500 and $26,375, respectively. This agreement effectively fixed the interest rate on the $28,000 State of Ohio Higher Education Facility Commission 2002 Variable Rate Revenue Bonds at 3.999% through December 1, 2032. In 2009, the 2002 bonds were retired and replaced with the 2011B Revenue Bonds, which were subsequently retired and replaced with the 2016A Revenue Bonds. In March 2016, the University amended this interest rate swap agreement. Under the revised agreement, the University receives 67% of the one-month LIBOR rate, plus a spread of 0.25% which effectively fixed the rate of the 2016A Bonds at 4.55%. The fair value of this agreement as of June 30, 2023 and 2022, is recorded as a liability of $1,552 and $2,883, respectively, in the accompanying consolidated statements of financial position.

Note 11. Retirement Plans

The University sponsors a defined contribution retirement plan that includes substantially all of its full-time employees. The University purchases individual retirement annuities through Teachers Insurance and Annuity Association (TIAA) to fund retirement benefits. The University contributes between 2.5% and 9% of an eligible employee’s salary into such annuities, depending upon the employee’s contribution levels and years of service. University contributions into participant accounts vest ratably over the participant’s first four years of service. The University has no unfunded pension obligation because its required plan contributions are funded on a current basis. The cost to fund these benefits was $15,073 in 2023 and $12,748 in 2022.

(IN THOUSANDS)

Note 11. Retirement Plans (Continued)

Through salary reduction agreements, employees may contribute additional amounts on a tax-deferred basis with a preferred investment provider, in accordance with limitations under the Internal Revenue Code of 1986, as amended.

The University also provides health care benefits to retired faculty and staff hired before January 1, 2014; this benefit is not available to employees hired after that date. Faculty and staff are eligible for this benefit if they have either worked 20 years and attained age 55, or worked 10 years and attained age 60, while in service with the University. The plan is contributory and contains other cost-sharing features such as deductibles and co-insurance; contributions by plan participants were $1,589 in 2023 and $1,513 in 2022. The University makes amounts available to retirees to purchase health care insurance under this plan and the accrued liabilities associated with this plan have been recorded on the University's consolidated financial statements in accordance with generally accepted accounting principles. During 2019, the plan was amended replacing the Medicare Supplement plan with a Medicare Advantage plan.

Postretirement benefit expense related to the Plan includes the following components as of June 30:

	2023	2022
Service cost of benefits earned	$ 566	$ 922
Interest cost on liability	1,430	1,078
Amortization of net loss	(3,308)	(2,341)
Net periodic postretirement benefit cost	$ (1,312)	$ (341)

A summary of the components of the changes in the projected benefit obligations and funded status of the Plan as of June 30 is as follows:

	2023	2022
Change in projected benefit obligations:		
Projected benefit obligation, beginning of year	$ 34,765	$ 46,735
Service cost	566	922
Interest cost	1,430	1,078
Actuarial gain	(1,206)	(11,048)
Benefits paid	(2,742)	(2,922)
Projected benefit obligation, end of year	32,813	34,765
Change in fair value of plan assets:		
Fair value of plan assets, beginning of year	-	-
Employer contributions	2,742	2,922
Benefits paid	(2,742)	(2,922)
Fair value of plan assets, end of year	-	-
Net liability on the consolidated statements of financial position	$ 32,813	$ 34,765

A summary of the components recognized in net assets without donor restrictions for the years ended June 30 is as follows:

	2023	2022
Actuarial gain	$ (1,206)	$ (11,048)
Prior service cost	(1,706)	(1,706)
Amortization of net loss	(1,602)	(635)
	$ (4,514)	$ (13,389)

(IN THOUSANDS)

Note 11. Retirement Plans (Continued)

There are unrecognized actuarial gains of $30,837 and $32,940 included in net assets without donor restrictions at June 30, 2023 and 2022, respectively, which have not yet been recognized in the net periodic benefit cost.

The following weighted-average assumptions were used to determine the postretirement benefit obligation and the postretirement benefit cost as of June 30:

	2023	2022
Weighted-average discount rate used to determine the projected benefit obligation	4.85%	4.28%
Weighted-average discount rate assumption used to determine the net periodic benefit cost	4.28%	2.38%

The University used the Pri.H-2012 Total Dataset Mortality Table fully generational using scale MP-2021 in determining its obligation.

The health care cost trend rate assumption significantly affects the projected benefit obligation and the change in the postretirement benefit obligation reported in the consolidated financial statements. The model is based on long-term projections of Gross Domestic Product per capita and National Health Expenditures per capita. These inputs are based on assumptions from the University's actuaries. The model does not specifically include an administrative cost trend. Rather, administrative costs are incorporated with the medical assumptions.

The following health care cost trend rates were assumed in the determination of the postretirement benefit obligation and net periodic benefit cost as of June 30:

	2023	2022
Initial year trend:		
Combined trend pre-Medicare	7.50%	7.50%
Combined trend post-Medicare	6.50%	6.50%
Combined ultimate trend for pre-1994 and grandfathered retirees:		
Pre-Medicare	4.50%	4.50%
Post-Medicare	4.50%	4.50%
Combined ultimate trend for non-grandfathered participants and post-1994 retirees:		
Pre-Medicare	4.50%	4.50%
Post-Medicare	No Trend	No Trend
Year that rates reach the ultimate trend rate	2030	2030

The following benefit payments, which reflect expected future service and the effect of the Medicare subsidy, as appropriate, are expected to be paid over the next 10 years:

Years ending:	
2024	$ 2,837
2025	2,977
2026	3,020
2027	2,897
2028	2,797
2029–2033	12,652

Note 12. Fair Value of Financial Instruments

The University records investments in cash and cash equivalents, equity securities and equity and bond mutual funds at their current fair values based on quoted market prices in active markets for identical assets, which is consistent with Level 1 in the fair value hierarchy.

The University records its investments in U.S. government treasuries, exchange traded commodities and real estate at their current fair values based on quoted market prices in markets that are not active for all significant inputs, which is consistent with Level 2 in the fair value hierarchy. Following is the summary of the inputs and valuation techniques used as of June 30, 2023 and 2022 for valuing Level 2 investments:

Investments	Input	Valuation Technique
Short term money market funds	Broker/Dealer	Market
US Treasuries	Broker/Dealer	Market
Exchange traded commodities and real assets	Broker/Dealer	Market

The University also holds investments in private equity funds, real estate and real estate funds, hedge funds and other investments that are not publicly traded but are valued at a net asset value per unit, or its equivalent. The University records its portion of these funds at the reported net asset value of its ownership interest in partner capital as reported by the general partner or fund manager, and as such, these investments have been excluded from the fair value hierarchy. Due to the inherent uncertainty of valuation, the estimated fair values may differ from values that would have been used had a readily available market value for the investments existed, and such differences could be material.

The University also holds certain real estate investments that it accounts for using the equity method. As such, these investments are also excluded from the fair value hierarchy.

The University has an interest rate swap and fair value is provided by valuation experts using externally developed models that consider observable and unobservable market parameters due to limited market activity of the instruments.

(IN THOUSANDS)

Note 12. Fair Value of Financial Instruments (Continued)

The following table summarizes the recorded amount of assets and liabilities by class of asset/liability recorded at fair value on a recurring basis:

	2023			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Investments:				
Short term money market funds	$ 19,865	$ 8,502	$ -	$ 28,367
U.S. Treasuries	12	-	-	12
Fixed maturity:				
Mutual funds:				
Domestic	3,483	-	-	3,483
Individual securities:				
Domestic	-	104,484	-	104,484
Equities:				
Mutual funds:				
Domestic	31,149	-	-	31,149
International	209,642	-	-	209,642
Individual securities:				
Domestic	284,597	-		284,597
Assets held by others (b)	-	-	1,136	1,136
	548,748	112,986	1,136	662,870
Investments reported at fair value based on net asset value and equity method:				
Private equity funds (a)	-	-	-	264,652
Real estate and real estate funds (a)	-	-	-	30,831
Real assets (a)	-	-	-	2,437
Hedge funds (a)	-	-	-	207,410
Real estate—equity method	-	-	-	12,954
Guaranteed investment contract	-	-	-	1,390
Total investments	$ 548,748	$ 112,986	$ 1,136	$ 1,182,544
Liabilities:				
Interest rate swap obligation	$ -	$ 1,520	$ -	$ 1,520

(IN THOUSANDS)

Note 12. Fair Value of Financial Instruments (Continued)

	2022			
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Total
Investments:				
Short term money market funds	$ 1,104	$ 8,393	$ -	$ 9,497
U.S. Treasuries	12	-	-	12
Fixed maturity:				
Mutual funds:				
Domestic	3,844	-	-	3,844
Individual securities:				
Domestic	-	104,520	-	104,520
Equities:				
Mutual funds:				
Domestic	30,929	-	-	30,929
International	188,784	-	-	188,784
Individual securities:				
Domestic	240,857	-		240,857
Assets held by others (b)	-	-	1,088	1,088
	465,530	112,913	1,088	579,531
Investments reported at fair value based on net asset value and equity method:				
Private equity funds (a)	-	-	-	257,957
Real estate and real estate funds (a)	-	-	-	34,530
Real assets (a)	-	-	-	2,218
Hedge funds (a)	-	-	-	203,555
Real estate—equity method	-	-	-	11,826
Guaranteed investment contract	-	-	-	1,363
Total investments	$ 465,530	$ 112,913	$ 1,088	$ 1,090,980
Liabilities:				
Interest rate swap obligation	$ -	$ 2,769	$ -	$ 2,769

(a) In accordance with Subtopic 820-10, certain investments that are measured at fair value using the net asset value (or its equivalent) as a practical expedient and have not been classified in the fair value hierarchy. The fair value amounts presented in this table are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the consolidated statements of financial position.

(b) The fair value of beneficial interests in trusts held by others (perpetual trusts) are based on quoted prices of the underlying assets held by trustees. Due to restrictions on these assets that do not allow the University redemption rights, fair value is deemed to be based on Level 3 inputs.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(IN THOUSANDS)

Note 12. Fair Value of Financial Instruments (Continued)

The table below represents quantitative information about significant unobservable inputs related to investments reported at fair value using the practical expedient.

	2023			
	Fair Value	Unfunded Commitments	Redemption Frequency (if currently eligible)*	Redemption Notice Period
Private equity funds (a)	$ 264,652	$ 133,517	n/a	n/a
Real estate and real estate funds (b)	30,831	11,676	n/a	n/a
Real assets (c)	2,437	3,825	n/a	n/a
Hedge funds—Equity long/short (d)	49,698	-	monthly, quarterly	30-60 days
Hedge funds—Event driven (e)	36,906	-	quarterly	45-90 days
Hedge funds—Global opportunities (f)	23,189	-	monthly, quarterly	3-45 days
Hedge funds—Relative value (g)	57,034	-	quarterly, annually	60-90 days
Hedge funds—Multi-strategy (h)	40,583	-	quarterly, annually	65-90 days
Total	$ 505,330	$ 149,018		

	2022			
	Fair Value	Unfunded Commitments	Redemption Frequency (if currently eligible)*	Redemption Notice Period
Private equity funds (a)	$ 257,957	$ 119,421	n/a	n/a
Real estate and real estate funds (b)	34,530	12,357	n/a	n/a
Real assets (c)	2,218	4,215	n/a	n/a
Hedge funds—Equity long/short (d)	44,755	-	monthly, quarterly	30-60 days
Hedge funds—Event driven (e)	42,523	-	quarterly	45-90 days
Hedge funds—Global opportunities (f)	23,223	-	monthly, quarterly	3-45 days
Hedge funds—Relative value (g)	55,256	-	quarterly, annually	60-90 days
Hedge funds—Multi-strategy (h)	37,798	-	quarterly, annually	65-90 days
Total	$ 498,260	$ 135,993		

**Redemptions may be subject to an initial and/or rolling one to three year lock up or investor/fund level gate.*

(a) This class includes several private equity funds engaging venture capital, buyout and turnaround investments in U.S. and European companies. These funds may hold publicly traded securities as well as other securities that do not have a readily determinable market value. Investments in publicly traded securities are generally valued at quoted market prices in active markets. Investments without readily determinable quoted market prices in active markets are valued by the fund managers or valuation committees; such valuation estimates consider cost data, restrictions affecting marketability, operating results, the financial condition of the underlying portfolio company and prices determined by using recent observable transaction information for similar investments or transactions. The nature of the investments in this class is that distributions are received through the liquidation of the underlying assets of the fund. It is anticipated that the underlying assets of the fund would be liquidated over the next 7 to 10 years.

Note 12. Fair Value of Financial Instruments (Continued)

(b) Real estate funds class includes several funds that invest primarily in U.S. commercial real estate properties. The holdings in these funds are valued by the fund managers or valuation committees; such valuation estimates consider cost data, restrictions affecting marketability, operating results, the financial condition of the underlying property and prices determined by using recent observable transaction information for similar purchase, sale or financing transactions. The nature of the investments in this class is that distributions are received through the liquidation of the underlying assets of the fund.

(c) Real assets are held in a private real estate investment trust that invests in commercial timberland properties. The trust's holdings are valued by fund manager or valuation committees by using recent observable transaction information for similar holdings or transactions. The nature of the investments in this class is that distributions are received through the liquidation of the underlying assets of the fund.

(d) Long-short strategies seek to profit by taking positions in equities and generally involve fundamental analysis in the investment decision process. Managers in these strategies tend to be stock pickers and typically manage market exposure by shifting allocations between long and short investments depending on market conditions and outlook. Long-short strategies may comprise investments in one or multiple countries, including emerging markets and one or multiple sectors.

(e) Event driven strategies involve investing in opportunities created by significant transaction events, such as spin-offs, mergers and acquisitions, and reorganizations. These strategies include risk arbitrage, distressed situations investing, special situations, opportunistic investing, and activism.

(f) Global opportunities strategies seek to exploit opportunities in various global markets. Portfolio managers employing these strategies have a broad mandate to invest in those markets and instruments which they believe provide the best opportunity. A portfolio manager employing a global macro strategy may take positions in currencies, sovereign bonds, global equities, and equity indices or commodities.

(g) Relative value strategies seek to profit by exploiting pricing inefficiencies between related instruments while remaining long-term neutral to directional price movements in any one market. These strategies include, but are not limited to: Convertible Bond Arbitrage, Fixed Income Arbitrage, Options Arbitrage, Pairs Trading, and multiple Market Neutral strategies.

(h) Multi-strategy funds dynamically allocate their assets among a variety of investment strategies to capture systematic inefficiencies and idiosyncratic opportunities across asset classes and market cycles. The various investment strategies employed include those detailed above. These investments include a commitment based investment in a renewable energy fund focused on the development, operation, and management of various solar projects.

(IN THOUSANDS)

Note 12. Fair Value of Financial Instruments (Continued)

The following is a reconciliation of assets in which significant unobservable inputs (Level 3) were used in determining fair value for the years ended June 30:

	Assets Held by Others
Balance at July 1, 2022	$ 1,088
Total gains or losses for the period included in earnings (or changes in net assets)	99
Purchase	-
Sales	(51)
Balance at June 30, 2023	$ 1,136

	Assets Held by Others
Balance at July 1, 2021	$ 1,285
Total gains or losses for the period included in earnings (or changes in net assets)	(189)
Purchase	4
Sales	(12)
Balance at June 30, 2022	$ 1,088

There were no significant transfers in and out of Level 1, 2, or 3 during the period ending June 30, 2023 or 2022.

The carrying amount of cash, accounts receivable, and deferred income and student deposits approximates fair value because of the short duration of these financial instruments.

A reasonable estimate of the fair value of the notes receivable and advances from government for federal loans could not be made because the notes receivable are not saleable and can only be assigned to the United States government or its designees. It is not practical to estimate the fair value of grants and contracts receivable since they contain federally mandated interest rates and repayment terms subject to significant restrictions as to their transfer and disposition.

The carrying amount of pledges receivable approximates fair value as these donations are recorded at the net present value of the amount pledged.

The fair value of indebtedness is approximately $371,261 as of June 30, 2023. For fixed-rate debt, the fair market value is based on an estimate of the prevailing market yield and resulting price for each maturity of debt. The market yield is impacted by several factors including credit, length of maturity, coupon, and optional redemption provisions. Variable rate debt that is callable by the borrower at any time is generally valued at par.

(IN THOUSANDS)

Note 13. Nature and Amount of Net Assets

Net assets without donor restrictions at June 30 are designated for the following:

	2023	2022
Without donor restrictions:		
Board-designated endowment	$ 442,209	$ 426,425
Net investment in plant	298,349	312,438
Undesignated	376,197	339,117
Total net assets without donor restrictions	$ 1,116,755	$ 1,077,980

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

	2023	2022
Net assets restricted for specified purpose or passage of time:		
Instruction	$ 66,375	$ 66,471
Administrative and general	34,533	8,012
Organized research	739	1,313
Libraries	9,019	8,758
Student aid	117,942	118,197
Auxiliary enterprises	14,352	13,904
Pledges receivable including capital gifts for construction	5,961	6,881
Capital gifts for construction	495	377
Total specified purpose or time restrictions	249,416	223,913
Net assets restricted perpetually:		
Instruction	69,633	71,197
Administrative and general	13,304	14,158
Organized research	2,409	2,604
Libraries	4,312	4,656
Student aid	123,316	126,463
Auxiliary enterprises	856	925
Pledges receivable	8,847	5,737
Total restricted perpetually	222,677	225,740
Total net assets with donor restrictions	$ 472,093	$ 449,653

Note 14. Endowment Funds

The University's endowment consists of donor restricted endowment funds and unrestricted board-designated or quasi endowment funds established for a variety of purposes. As required by generally accepted accounting principles, net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions.

The University has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) to require the preservation of the fair value of the original gift as of the gift date of the donor restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the University classifies as permanent endowments (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 remaining portion of the donor-restricted endowment fund that is not classified in permanent endowments is classified as unrestricted or donor restricted in accordance with UPMIFA and donor stipulations. Also in accordance with the University's interpretation of UPMIFA and absent specific donor restrictions on an endowed fund, the Board may appropriate the realized and unrealized net appreciation in the fair value of the assets of that fund for uses and purposes of the fund.

From time to time, the fair value of assets associated with the individual donor restricted endowment funds may fall below the level that the donor or UPMIFA requires the University to retain as a fund of perpetual duration. In accordance with accounting standards, deficiencies of this nature are reported in net assets with donor restrictions. As of June 30, 2023 and 2022, funds with an original gift value of $5,355 and $9,625 were underwater by $293 and $649, respectively.

The long-term objective of the University's investment portfolio is to generate a return which is sufficient to provide funding for programs supported by its endowment. To accomplish this objective, the University seeks to earn the greatest total return possible consistent with its general risk tolerance and a diversified asset allocation strategy. 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 includes investments in a variety of asset classes, including fixed income, public and private equities, real assets and alternative investments to achieve its long-term objectives within prudent risk and liquidity constraints.

The University uses a hybrid method to calculate the amount it appropriates from its endowment each year (the appropriation). A portion of the appropriation is based on the prior year's appropriation plus an inflationary factor. The remaining portion of the appropriation is calculated by computing a return on the average of the previous 20 quarters ending market value computed at December 31 each year for the fiscal year beginning the following July 1. The amount appropriated is bound by a floor of 3.5% and a ceiling of 5.5% of the previous December 31 fair values for the endowment funds.

In accordance with UPMIFA the University has appropriated funds where the purpose restriction has not yet been met. These net assets are classified as with donor restrictions and will be released upon satisfaction of the donor restriction. The amount of appropriated but unspent funds included in net assets with donor restrictions totaled $25,755 and $21,451 at June 30, 2023 and 2022, respectively.

(IN THOUSANDS)

Note 14. Endowment Funds (Continued)

The University has the following endowment-related activities:

	Changes in Endowment Net Assets		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets at July 1, 2022	$ 426,425	$ 343,596	$ 770,021
Investment return:			
Investment income	2,559	64	2,623
Net appreciation (realized and unrealized)	35,407	22,476	57,883
Contributions	56	10,306	10,362
Other (additions and deletions to endowment)	(1,468)	3,506	2,038
Appropriation of endowment assets for expenditure	(20,769)	(16,997)	(37,766)
Endowment net assets at June 30, 2023	$ 442,210	$ 362,951	$ 805,161

	Changes in Endowment Net Assets		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets at July 1, 2021	$ 454,064	$ 350,328	$ 804,392
Investment return:			
Investment income	2,459	51	2,510
Net depreciation (realized and unrealized)	(16,378)	(13,660)	(30,038)
Contributions	13	16,157	16,170
Other (additions and deletions to endowment)	252	1,647	1,899
Appropriation of endowment assets for expenditure	(13,985)	(10,927)	(24,912)
Endowment net assets at June 30, 2022	$ 426,425	$ 343,596	$ 770,021

(IN THOUSANDS)

Note 14. Endowment Funds (Continued)

The composition of net assets, by type, of endowment funds at June 30 is as follows:

	2023		
	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted endowment funds	$ -	$ 362,951	$ 362,951
Board-designated endowment funds	442,209	-	442,209
	$ 442,209	$ 362,951	$ 805,160

	2022		
	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted endowment funds	$ -	$ 343,596	$ 343,596
Board-designated endowment funds	426,425	-	426,425
	$ 426,425	$ 343,596	$ 770,021

Note 15. Private Gifts, Grants and Other

Private gifts, grants and other include the following:

	Year Ended June 30, 2023		
	Without Donor Restrictions	With Donor Restrictions	Total
Gifts and grants	$ 2,842	$ 34,505	$ 37,347
Other University operating income	16,293	105	16,398
	$ 19,135	$ 34,610	$ 53,745

	Year Ended June 30, 2022		
	Without Donor Restrictions	With Donor Restrictions	Total
Gifts and grants	$ 2,807	$ 34,254	$ 37,061
Other University operating income	13,388	-	13,388
	$ 16,195	$ 34,254	$ 50,449

(IN THOUSANDS)

Note 16. Expense Summary

The University's expenses classified by natural classification, for the years ended June 30, 2023 and 2022, are summarized as follows:

	2023							
	Instruction	Organized Research	Academic Support	Student Services	Institutional Support	Auxiliary Enterprises	Related Entities	Total
Salaries and benefits	$ 113,276	$ 122,987	$ 26,752	$ 21,289	$ 17,483	$ 35,487	$ 5,915	$ 343,189
Interest expense	2,818	659	575	71	553	8,671	639	13,986
Depreciation	6,011	8,655	3,411	1,791	1,806	10,417	2,688	34,779
Cost of sales	-	-	-	24	(1)	14,648	1,491	16,162
Contract services and maintenance	4,388	62,160	3,508	2,314	9,899	21,242	2,107	105,618
Supplies	2,590	11,851	1,099	565	2,071	3,474	653	22,303
Utilities and communications	1,402	1,410	2,211	301	1,408	7,452	609	14,793
Other expenditures	14,408	32,839	2,877	4,412	1,576	22,538	4,046	82,696
Total expenses	$ 144,893	$ 240,561	$ 40,433	$ 30,767	$ 34,795	$ 123,929	$ 18,148	$ 633,526

	2022							
	Instruction	Organized Research	Academic Support	Student Services	Institutional Support	Auxiliary Enterprises	Related Entities	Total
Salaries and benefits	$ 112,579	$ 108,967	$ 22,047	$ 19,330	$ 19,033	$ 37,861	$ 4,612	$ 324,429
Interest expense	3,180	829	735	101	498	7,042	837	13,222
Depreciation	6,534	11,472	3,627	1,836	1,608	10,376	4,939	40,392
Cost of sales	-	-	-	-	-	13,361	1,103	14,464
Contract services and maintenance	3,922	56,169	3,291	2,208	8,696	20,703	2,013	97,002
Supplies	2,299	11,301	1,110	643	1,487	4,807	1,024	22,671
Utilities and communications	815	767	1,221	175	1,418	5,087	450	9,933
Other expenditures	17,912	25,706	2,186	7,980	10,360	11,916	3,944	80,004
Total expenses	$ 147,241	$ 215,211	$ 34,217	$ 32,273	$ 43,100	$ 111,153	$ 18,922	$ 602,117

Note 17. Non Controlling Interests

The consolidated financial statements include the accounts of entities in which the University has a controlling interest. Below is activity related to activities of non controlling interests:

Hotel operations: The University is a member of a joint venture to own a local hotel adjacent to its campus. The University is a 90% partner in this venture.

The University recorded the following assets, liabilities, and equity on its books at June 30:

	2023	2022
Assets:		
Cash and other assets	$ 3,720	$ 2,939
Land, buildings and equipment	27,631	28,627
Elimination of University investment	(7,413)	(10,742)
	$ 23,938	$ 20,824
Liabilities and net assets:		
Senior secured note	$ 12,970	$ 16,901
Other liabilities	1,656	1,780
Controlling interest	8,367	1,915
Noncontrolling interest	945	228
	$ 23,938	$ 20,824

(IN THOUSANDS)

Note 17. Non Controlling Interests (Continued)

Innovation Hub: The University is a member of a joint venture to own a transdisciplinary space for innovation and creation near campus. The University is a 75% partner in this venture.

The University recorded the following assets, liabilities, and equity on its books at June 30:

	2023	2022
Assets:		
Cash and other assets	$ 4,180	$ 506
Land, buildings and equipment	2,006	2,097
Elimination of University investment	-	(43)
	$ 6,186	$ 2,560
Liabilities and net assets:		
Other liabilities	$ 4,451	$ 613
Controlling interest	1,301	1,460
Noncontrolling interest	434	487
	$ 6,186	$ 2,560

Note 18. Financial Responsibility

In 2019 the Department of Education revised certain provisions of the 34 Code of Federal Regulations (CFR) Section 668.172 which applies to the University. As a result of the revision the University is disclosing certain information to facilitate compliance with the provisions of Section 668.172 provided as follows:

Property, plant and equipment, net: The Department of Education has defined preimplementation property, plant and equipment as assets acquired as of June 30, 2019, less any assets resulting from capital leases entered into between December 15, 2018 and June 30, 2019. All subsequently acquired assets are deemed post implementation property, plant and equipment. As of June 30, 2023 and 2022, the University has $119,989 and $28,514 of postimplementation property, plant and equipment with outstanding debt and $100,230 and $71,096 of postimplementation property, plant and equipment without outstanding debt, respectively. As of June 30, 2023 and 2022, total property, plant and equipment preimplementation was $489,195 and $608,891, respectively.

Debt: The Department of Education has defined preimplementation debt as debt acquired as of June 30, 2019, and any debt acquired subsequent to June 30, 2019, is defined as postimplementation debt. As of June 30, 2023 and 2022, the University has $260,107 and $324,028 preimplementation debt and $119,989 and $28,514 postimplementation debt, respectively. As of June 30, 2023 and 2022, total debt for long term purposes was $380,096 and $354,372, respectively.

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2023-24

MEMBERS OF THE BOARD OF TRUSTEES

2023-24

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