



UNIVERSITY OF ST. THOMAS

Financial Statements



Fiscal Year Ended June 30, 2024

With Report of Independent Auditors

UNIVERSITY OF ST. THOMAS
CONSOLIDATED FINANCIAL STATEMENTS
YEARS ENDED JUNE 30, 2024 AND 2023

**UNIVERSITY OF ST. THOMAS
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INDEPENDENT AUDITORS' REPORT

Board of Trustees
University of St. Thomas
Saint Paul, Minnesota

Report on the Audit of the Consolidated Financial Statements

Opinion

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the University as of June 30, 2024 and 2023, and the results of its operations 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 *Auditors' Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are required to be independent of University of St. Thomas 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 Consolidated Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

In performing an audit in accordance with GAAS, we:

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



CliftonLarsonAllen LLP

Minneapolis, Minnesota
November 14, 2024

UNIVERSITY OF ST. THOMAS
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2024 AND 2023
(IN THOUSANDS)

	<u>2024</u>	<u>2023</u>
ASSETS		
Cash and Cash Equivalents	\$ 1,878	\$ 1,739
Accounts Receivable, Net	10,378	7,973
Inventories, Prepaid Expenses, and Other Assets	7,298	7,383
Contributions Receivable, Net	168,992	182,927
Student and Other Notes Receivable, Net	462	790
Funds Held with Bond Trustees	180,952	75,764
Investments	918,684	874,355
Land, Buildings, and Equipment, Net	<u>657,714</u>	<u>603,477</u>
Total Assets	<u>\$ 1,946,358</u>	<u>\$ 1,754,408</u>
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts Payable and Accrued Liabilities	\$ 40,477	\$ 40,673
Unearned Tuition Income	5,617	5,147
Deposits and Other Liabilities	40,087	35,058
Assets Held in Custody for Others	867	1,011
Annuity Obligations	4,705	5,073
Bonds Payable	479,065	343,887
Advances from Federal Government for Student Loans	<u>731</u>	<u>1,046</u>
Total Liabilities	571,549	431,895
NET ASSETS		
Without Donor Restrictions	569,731	507,019
With Donor Restrictions	<u>805,078</u>	<u>815,494</u>
Total Net Assets	<u>1,374,809</u>	<u>1,322,513</u>
Total Liabilities and Net Assets	<u>\$ 1,946,358</u>	<u>\$ 1,754,408</u>

See accompanying Notes to Consolidated Financial Statements.

UNIVERSITY OF ST. THOMAS
CONSOLIDATED STATEMENTS OF ACTIVITIES
YEARS ENDED JUNE 30, 2024 AND 2023
(IN THOUSANDS)

	2024			2023		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
OPERATING REVENUES						
Tuition and Fees	\$ 369,543	\$ -	\$ 369,543	\$ 351,025	\$ -	\$ 351,025
Less: Student Aid	(194,565)	-	(194,565)	(179,302)	-	(179,302)
Net Tuition and Fees	174,978	-	174,978	171,723	-	171,723
Sales and Services of Auxiliary Enterprises	47,332	-	47,332	44,504	-	44,504
Private Gifts and Grants	43,944	3,759	47,703	7,359	89,438	96,797
Grants and Contracts	13,105	526	13,631	7,866	716	8,582
Endowment Distributed to Operations	13,228	21,558	34,786	21,192	19,286	40,478
Other Ordinary Investment Income	6,530	-	6,530	4,459	-	4,459
Sales and Services of Educational Departments	1,771	-	1,771	974	-	974
Other Revenue	6,835	-	6,835	6,188	-	6,188
Net Assets Released from Restrictions	70,469	(70,469)	-	31,783	(31,783)	-
Total Operating Revenues	378,192	(44,626)	333,566	296,048	77,657	373,705
OPERATING EXPENDITURES						
Instruction and Other Services:						
Instruction	137,395	-	137,395	130,268	-	130,268
Auxiliary Enterprises	48,690	-	48,690	45,379	-	45,379
Student Activities and Services	52,667	-	52,667	49,009	-	49,009
Academic Support	16,054	-	16,054	16,039	-	16,039
Libraries	8,778	-	8,778	9,009	-	9,009
Public Service	3,984	-	3,984	3,661	-	3,661
Research	3,118	-	3,118	1,871	-	1,871
Total Instruction and Other Services	270,686	-	270,686	255,236	-	255,236
Management and General:						
General Administration and Support Services	33,191	-	33,191	29,914	-	29,914
Development	12,628	-	12,628	11,954	-	11,954
Total Management and General	45,819	-	45,819	41,868	-	41,868
Total Operating Expenditures	316,505	-	316,505	297,104	-	297,104
NET OPERATING INCOME (LOSS)	61,687	(44,626)	17,061	(1,056)	77,657	76,601
NONOPERATING ACTIVITIES						
Endowment Gifts	-	14,558	14,558	-	17,670	17,670
Endowment Investment Earnings:						
Investment Ordinary Income	738	4,385	5,123	747	3,143	3,890
Net Capital Gain (Loss) on Investments	6,897	38,123	45,020	5,267	24,754	30,021
Less: Distributed to Operations	(13,114)	(21,558)	(34,672)	(21,192)	(19,286)	(40,478)
Net Nonoperating Endowment Gain (Loss)	(5,479)	20,950	15,471	(15,178)	8,611	(6,567)
Other Investment Capital Gain (Loss)	9,426	291	9,717	4,984	175	5,159
(Loss) Gain on Disposal of Property and Equipment	(3,016)	-	(3,016)	9	-	9
Net Unrealized Gain on Interest Rate Exchange Agreement	94	-	94	342	-	342
Donor Adjustments	-	(1,589)	(1,589)	-	-	-
Net Nonoperating Income (Loss)	1,025	34,210	35,235	(9,843)	26,456	16,613
NET INCREASE (DECREASE) IN NET ASSETS	62,712	(10,416)	52,296	(10,899)	104,113	93,214
Net Assets - Beginning of Year	507,019	815,494	1,322,513	517,918	711,381	1,229,299
NET ASSETS - END OF YEAR	<u>\$ 569,731</u>	<u>\$ 805,078</u>	<u>\$ 1,374,809</u>	<u>\$ 507,019</u>	<u>\$ 815,494</u>	<u>\$ 1,322,513</u>

See accompanying Notes to Consolidated Financial Statements.

UNIVERSITY OF ST. THOMAS
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2024 AND 2023
(IN THOUSANDS)

	2024	2023
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	\$ 52,296	\$ 93,214
Cash Used In Operating Activities:		
Depreciation	21,046	19,043
Amortization of Debt Issuance Costs	145	161
Net Realized and Unrealized Investment Loss (Gain)	(54,345)	(35,180)
Noncash Gifts of Property and Equipment	(20)	(232)
Contributions Restricted for Long-Term Investment	(9,539)	(7,730)
Contributions Restricted for Investment in Property, Plant, and Equipment	(20,757)	(17,471)
Interest and Dividend Income Restricted for Long-Term Investment	(5,123)	(3,890)
Change in Allowance for Uncollectible Pledges	156	(1,957)
Loss (Gain) on Disposal of Land, Buildings, and Equipment	3,114	(3)
Noncash Contributions of Marketable Securities	(10,753)	(3,020)
Decrease (Increase) in Operating Assets:		
Accounts Receivable, Net	(2,405)	2,655
Contributions Receivable	13,779	(53,100)
Student and Other Notes Receivable	328	626
Inventories, Prepaids and Other Assets	85	(594)
Increase (Decrease) in Operating Liabilities:		
Accounts Payable and Accrued Expenses	(196)	179
Unearned Tuition Income	470	65
Deposits and Other Liabilities	7,859	1,969
Assets Held in Custody for Others	(144)	31
Annuity Obligations	(368)	(90)
Advances from Federal Government for Student Loans	(315)	(733)
Net Cash Used by Operating Activities	(4,687)	(6,057)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of Investments	(413,359)	(513,386)
Proceeds from Sales and Maturities of Investments	423,375	548,025
Changes in Assets Held with Bond Trustees, Excluding Net Gains and Losses	(105,188)	38,764
Expenditures for Land, Buildings, and Equipment	(78,476)	(96,356)
Proceeds from Sale of Land, Buildings, and Equipment	99	6
Net Cash Used by Investing Activities	(173,549)	(22,947)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from Contributions Restricted for Endowment	20,292	10,750
Proceeds from Contributions Restricted for Land, Buildings, and Equipment	20,757	17,471
Proceeds from the Issuance of Bonds Payable	159,390	-
Payments on Bonds Payable	(23,919)	(11,526)
Debt Issuance Costs	(438)	(102)
Payments on Finance Leases	(2,830)	(1,620)
Interest and Dividend Income Restricted for Long-Term Investment	5,123	3,890
Net Cash Provided by Financing Activities	178,375	18,863
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	139	(10,141)
Cash and Cash Equivalents - Beginning of Year	1,739	11,880
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 1,878</u>	<u>\$ 1,739</u>

See accompanying Notes to Consolidated Financial Statements.

UNIVERSITY OF ST. THOMAS
CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)
YEARS ENDED JUNE 30, 2024 AND 2023
(IN THOUSANDS)

	2024	2023
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION		
Cash Paid for Interest	\$ 15,040	\$ 14,453
Building and Equipment Acquisitions Included Under		
Accounts Payable and Accrued Expenses	\$ 10,186	\$ 9,538
Equipment Acquired Through Finance Lease Agreements	\$ 2,966	\$ 2,676

See accompanying Notes to Consolidated Financial Statements.

UNIVERSITY OF ST. THOMAS
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2024 AND 2023
(IN THOUSANDS)

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

Founded in 1885, the University of St. Thomas (the University) is a Catholic university based in the Twin Cities of St. Paul and Minneapolis. The largest private university in Minnesota, the University offers bachelor's degrees in over 150 major fields of study and more than 55 graduate degree programs including masters, education specialist, juris doctor, and doctorates.

Basis of Presentation

The accompanying consolidated statements of the University have been prepared on an accrual basis of accounting.

Net assets and related revenues and expenses are classified into the following two categories based upon the existence or absence of donor-imposed restrictions:

Without Donor Restrictions – Net assets not subject to donor-imposed stipulations. Certain of these amounts have been designated by the board for investment purposes as indicated in the presentation.

With Donor Restrictions – Net assets subject to donor-imposed stipulations that: a) restrict their use to a specific purpose and/or the passage of time; or b) require that they be maintained in perpetuity by the University; generally, the donor of these assets permits the University to use all or part of the income earned and capital gains, if any, on related investments for general or specific purposes.

Revenues are reported as increases in *net assets without donor restrictions* unless use of the related assets is limited by donor-imposed restrictions. Donor-restricted contributions whose restrictions are met in the same year the gift is made are reported as contributions *with donor restrictions* and releases in the current year. Expirations of donor-imposed restrictions on net assets, that is, the donor-imposed stipulated purpose has been accomplished, and/or the stipulated time period has elapsed, are reported as net assets released from restrictions. Expenses are reported as decreases in *net assets without donor restrictions*. Gains and losses on assets and liabilities are reported as increases or decreases in *net assets without donor restrictions* unless their use is restricted by explicit donor stipulations.

Principles of Consolidation

The consolidated financial statements include the accounts of UST Asset Holdings, LLC, UST Investments Holdings, LLC, Auto Park, LLC, and HB, LLC. The University of St. Thomas has both control and an economic interest in the LLCs. All significant intercompany accounts and transactions have been eliminated in consolidation. Unless otherwise noted, these consolidated entities are hereinafter referred to as the "University of St. Thomas."

UNIVERSITY OF ST. THOMAS
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2024 AND 2023
(IN THOUSANDS)

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash and Cash Equivalents

All liquid cash investments with an original maturity of three months or less when purchased by the University are considered to be cash equivalents.

Cash equivalents that are held for long-term investment are included in the consolidated statements of financial position as Investments. For example, cash held by endowment investment managers for transactional or strategic purposes, and cash held for the purchase of buildings and equipment, are reported as Investments.

Cash held in bank accounts may at times exceed federally insured limits.

Accounts Receivable

Accounts receivable are stated at net realizable value. A current expected credit loss is recorded annually by the University based on historical experience and management's evaluation of current and future impacts to receivables at the end of each year.

Inventories

Inventories are recorded at the lower of cost or net realizable value with cost determined on a first-in, first-out (FIFO) basis. Inventories consist mainly of books and materials at the campus stores.

Contributions Receivable

Pledges to give that are expected to be collected within one year are recorded at their net realizable value. Pledges that are expected to be collected in future years are recorded at the present value of the amounts expected to be collected. The pledge value is calculated by using an income approach of applying a discount rate. The discount rates applied range from 4.30% to 5.16%. Conditional promises to give are not included as support until such time as the conditions are substantially met.

Investments

Investments are stated at fair value and include accrued income. Changes in fair value are recorded as unrealized gains or losses in the period of change. Realized gains and losses on sales of securities are generally determined using the average cost method.

Marketable securities are reported at fair value based upon quoted market prices or, when quoted values are not available, are valued based on comparative financial instruments. Limited marketability instruments, which primarily include private equity, hedge funds, and real estate investments, are valued at the quoted market price for securities in which market quotations are readily available or an estimate of fair value as determined in good faith by the general partner. Because these investments are not readily marketable, their estimated value is subject to uncertainty and, therefore, may differ from the value that would have been used had a ready market for such investments existed.

UNIVERSITY OF ST. THOMAS
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2024 AND 2023
(IN THOUSANDS)

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments (Continued)

In such instances, these investments are measured using the net asset value per share or its equivalent provided by the investee as of March 31, adjusted for cash receipts, cash disbursements, and significant known valuation changes in market values of publicly held securities contained in the portfolio and security distributions through June 30.

Donated investments are reported at fair market value at the time they are received or their net realizable value.

Funds Held with Bond Trustee

Funds held with bond trustees include investments consisting of primarily United States government obligations and cash and cash equivalents.

Fair Value Measurements

The University follows the Financial Accounting Standards Board (FASB) guidance on fair value measurements. Fair value is defined in the guidance as the exchange price that would be received to sell an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the assets or liability in an orderly transaction between market participants at the measurement date. Under this guidance, a three-level hierarchy is used for fair value measurements which is based on the transparency of information, such as pricing source, used in the valuation of an asset or liability as of the measurement date. The three levels are defined as follows:

Level 1 – Inputs are unadjusted quoted prices for identical assets or liabilities in an active market.

Level 2 – Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. This includes quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the asset or liability, or inputs that are derived principally from or corroborated by observable market data.

Level 3 – Inputs are unobservable for the asset or liability. Unobservable inputs reflect the reporting entity's own determination about the assumptions that market participants would use in pricing the assets or liabilities based on the best available information.

The University adopted the standard on disclosures for investments in certain entities that calculate net asset value (NAV) per share or its equivalent, which removes those investments that calculate NAV per share from the fair value disclosure.

Concerning other assets and liabilities not assigned a Level 1-2-3, the market values of receivables, accounts payable and accrued liabilities, and unearned income approximate their carrying values given their short-term nature.

UNIVERSITY OF ST. THOMAS
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2024 AND 2023
(IN THOUSANDS)

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fair Value Measurements (Continued)

The fair value of bonds payable was determined using the present value of the future cash flows of debt service payments using Level 2 inputs. The discount rate used was based on the current rate on similar debt issues.

The determination of the fair value of loan fund receivables, which are federally sponsored student loans with U.S. government-mandated interest rates and repayment terms and subject to significant restrictions, could not be made without incurring excessive costs.

Land, Buildings, and Equipment

Equipment with a cost of \$10 or greater and buildings with a cost of \$100 or greater are capitalized by the University. Land, building, and equipment acquisitions are stated at cost if purchased, or fair value if gifted, less accumulated depreciation. Long-lived assets, with the exception of land and artwork, are depreciated using a straight-line method over their estimated useful lives. Useful lives for equipment range from 5 to 8 years. Useful lives for the majority of buildings and improvements range from 20 to 60 years.

Collection of art or similar artifacts are stated at cost at date of acquisition and are capitalized if in excess of \$10. The University does not deaccession artwork from collections often. If the opportunity arises, their policy is to discuss the use of proceeds for deaccessioned items with board of trustees based on discretion and dollar amount.

Asset Retirement Obligations

Asset retirement obligations (ARO) are legal obligations associated with the retirement of long-lived assets. These liabilities are initially recorded at fair value and the related asset retirement costs are capitalized by increasing the carrying amount of the related assets by the same amount as the liability. Asset retirement costs are subsequently depreciated over the useful lives of the related assets. Subsequent to initial recognition, the University records period-to-period changes in the ARO liability resulting from the passage of time and revisions to either the timing or the amount of the original estimate of undiscounted cash flows. The University reduces ARO liabilities when the related obligations are settled.

As of June 30, 2024 and 2023, conditional asset retirement obligations, which are included within Deposits and Other Liabilities in the consolidated statements of financial position, totaled \$2,081 and \$2,173 respectively. During the fiscal year ended June 30, 2024, the conditional asset retirement obligation decreased by \$92 as a result of asbestos removal costs of \$191 and accretion of interest of \$99.

Changes in management's assumptions regarding settlement dates and settlement methods could have a material effect on the liabilities recorded at June 30, 2024.

Assets Held in Custody for Others

Assets held in custody for others represents primarily investments that are held and administered by the University, but are owned by other nonprofit organizations. These related investments are included within investments in the consolidated statements of financial position.

UNIVERSITY OF ST. THOMAS
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2024 AND 2023
(IN THOUSANDS)

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Annuity Obligations

Some contributions received, such as interests in charitable gift annuity contracts and charitable trusts, have donor-imposed obligations to make payments to the donor or other beneficiaries. Annuity obligations arising from such gifts are established at the time of the contribution using life expectancy actuarial tables and are revalued annually. Actuarial gains and losses resulting from the annual revaluation of annuity obligations are reflected as with donor restriction, consistent with the method used to initially record the contributions.

Leases

The University determines if an arrangement is a lease at inception. Operating leases are included in other assets and other liabilities, and finance leases are included in land, building and equipment, net and other liabilities in the statements of financial position.

Right-of-Use (ROU) assets represent the University's right to use an underlying asset for the lease term and lease liabilities represent the University's obligation to make lease payments arising from the lease. ROU assets and liabilities are recognized at commencement date based on the present value of lease payments over the lease term. Lease terms may include options to extend or terminate the lease when it is reasonably certain that the University will exercise that option. Lease expense for operating lease payments is recognized on a straight-line basis over the lease term. The University has elected to recognize payments for short-term leases with a lease term of 12 months or less as an incurred expense and these leases are not included as lease liabilities or right of use assets on the statements of financial position.

The individual lease contracts may or may not provide information about the discount rate implicit in the lease. For those contracts that do not contain a discount rate, the University has elected to use a risk-free discount rate determined using a period comparable with that of the lease term for computing the present value of lease liabilities.

The University has elected not to separate nonlease components from lease components and instead account for each separate lease component and the nonlease component as a single lease component.

Tuition and Fee Revenue

The University recognizes student revenue within the fiscal year in which educational services are provided. Discounts in the form of scholarships and financial aid grants, including those funded by the endowment and gifts, are reported as a reduction of student revenues. A discount represents the difference between the stated charge for the academic program and the amount this is billed to the student and/or third parties making payment on behalf of the student.

UNIVERSITY OF ST. THOMAS
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2024 AND 2023
(IN THOUSANDS)

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Tuition and Fee Revenue (Continued)

Educational programs are delivered in the Fall (early September to mid-December), during J-Term (January) and Spring (early February to mid-May), as well as multiple Summer terms. For the Summer terms, revenue is recognized ratably over the terms, with approximately 59% of the revenue for Summer recognized in the current year's consolidated financial statements and 41% of the tuition and fees for Summer recorded as deferred revenue at June 30.

The following table shows the University's gross tuition revenue and fee revenues disaggregated according to the timing of the transfer of goods or services and by source as of June 30:

Revenue Recognized Over Time:	2024	2023
Undergraduate Tuition Revenue	\$ 290,567	\$ 276,275
Graduate Tuition Revenue	65,160	62,095
Student Fee Revenue	13,816	12,655
Total Tuition and Fees	<u>\$ 369,543</u>	<u>\$ 351,025</u>

Auxiliary Services Revenue

Auxiliary services exist to furnish goods or services to students, faculty, staff, or incidentally to the general public. Fees charged for auxiliary services are priced to offset the cost of the goods or services provided. The distinguishing characteristic of auxiliary services is that they are managed as an essentially self-supporting activity. Revenues and expenses from auxiliary enterprises are reported as changes in net assets without donor restrictions.

Auxiliary services revenue includes activities for student housing and dining facilities, the campus bookstore, and parking services. A small number of institutional scholarships specifically for defraying the costs of residential services are awarded, which reduce the amount of revenue recognized. Payments for housing and dining services are due by the 19th of the first month of the new academic term unless they have extended payment terms.

Housing and dining plans are not offered during the summer terms. Performance obligations for housing and dining services are delivered over the academic terms. Consequently, associated revenues are earned and recognized over the course of each term as the services are delivered.

UNIVERSITY OF ST. THOMAS
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
JUNE 30, 2024 AND 2023
(IN THOUSANDS)

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Auxiliary Services Revenue (Continued)

The following table shows the University's auxiliary services revenues disaggregated according to the timing of the transfer of goods and services by source as of June 30:

Revenue Recognized Over Time:	2024	2023
Housing	\$ 23,567	\$ 22,131
Dining	14,189	12,747
Parking	1,825	1,743
Rental Income & Other	1,447	1,874
Total	<u>41,028</u>	<u>38,495</u>
Revenue Recognized Point In Time:		
Bookstore	3,508	3,515
Dining	2,796	2,494
Total	<u>6,304</u>	<u>6,009</u>
Total Sales and Services of Auxiliary Enterprises	<u>\$ 47,332</u>	<u>\$ 44,504</u>

Contributions

Contributions received, including unconditional donor promises, are recognized as revenue when the University receives the donor's commitment. Unconditional promises are recognized at the estimated present value of the future cash flows, net of allowances for uncollectible pledges. Other gifts are recorded at the fair value at the date of the gift.

Promises made that are designated for future periods or restricted by the donor for specific purposes are reported as with donor restrictions support. Conditional promises are recorded when donor stipulations are substantially met.

The University reports gifts of land, buildings, and equipment as without donor restriction support unless explicit donor stipulations specify how the donated asset must be used.

Grants and Contracts

A portion of the University's revenue is derived from cost reimbursable federal and state contracts and grants, which are conditioned upon certain performance requirements and/ or the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when the University has incurred expenditures in compliance with specific contract or grant provisions. Amounts received prior to incurring qualifying expenditures are reported as refundable advances in the consolidated statement of financial position. The University received cost reimbursable grants of \$27,719 that have not been recognized at June 30, 2024, because qualifying expenditures have not yet been incurred, with no advance payments needing to be recognized in the consolidated statement of financial position as a refundable advance.

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NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Nonoperating Activities

Nonoperating activities reflect transactions of a long-term investment nature including:

- donor-restricted private gifts and grants which are invested in perpetuity,
- endowment investment earnings reinvested, withdrawals above the spending policy, and board quasi draws,
- other non-endowment investment gains or losses,
- reclassification of prior gifts among net asset categories due to changes in donor-imposed restrictions,
- donor adjustments due to pledge write-offs and other changes impacted by modifications to donor agreements,
- nonrecurring fixed asset gains and losses,
- gain (loss) on debt refinancing,
- other transactions that are significant, nonrecurring, and are not accounted for as part of ongoing budgeted operations.

Advertising Expense

Advertising expenditures are expensed as incurred. Advertising expense for the years ended June 30, 2024 and 2023 was \$2,633 and \$2,792, respectively.

Use of Estimates

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

Investments are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with certain investments, it is at least reasonably possible that change in the values will occur in the near term and that such changes could materially affect the consolidated financial statements.

Income Taxes

The University qualifies as a tax-exempt nonprofit organization under Section 501(c)(3) of the Internal Revenue Code and similar statutes of Minnesota law. However, any unrelated business income may be subject to taxation. The most significant areas that subject the University to unrelated business income tax (UBIT) include conferences and events, rental activities, alternative investments, and other unrelated income.

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NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Change in Accounting Principle

On July 1, 2023, the University adopted ASU 2016-13 *Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*, which replaces the incurred loss methodology with an expected loss methodology referred to as the current expected credit loss (CECL) methodology. The measurement of expected credit losses under CECL is applicable to financial assets measured at amortized cost, including trade account receivables. The adoption of this standard did not have a material impact on the University's financial statements but did change how the allowance for credit losses is determined.

Subsequent Events

The University has evaluated subsequent events through November 14, 2024, which is the date that the consolidated financial statements were issued.

NOTE 2 ACCOUNTS RECEIVABLE

Accounts receivable consists of the following at June 30:

	2024	2023
Student Accounts	\$ 6,902	\$ 6,446
Less: Allowance for Credit Losses	(3,099)	(2,922)
Subtotal	3,803	3,524
Government Grants Receivable	4,098	1,831
Other	2,477	2,618
Total	<u>\$ 10,378</u>	<u>\$ 7,973</u>

Student accounts receivable represents payments not yet received for academic terms already completed. The following table depicts activities for accounts receivable related to tuition, fees and auxiliary services:

	2024	2023
Student Accounts, Beginning Balance	\$ 3,524	\$ 3,843
Charges for Tuition, Fees, & Other, Net	420,294	395,466
Financial Aid Applied & Payments Made	(419,521)	(395,361)
Change in Credit Losses and Write Offs	(494)	(424)
Student Accounts, Ending Balance	<u>\$ 3,803</u>	<u>\$ 3,524</u>

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NOTE 3 CONTRIBUTIONS RECEIVABLE

Unconditional promises to give are recognized at the estimated present value of the future cash flows net of allowances, in the following timeframe at June 30:

	2024	2023
In One Year or Less	\$ 33,411	\$ 30,261
Between One Year and Five Years	98,600	83,716
More than Five Years	77,255	108,927
Total Face Value of Pledges Outstanding	209,266	222,904
Discount (to Present Value)	(33,092)	(32,639)
Allowance for Uncollectible Pledges	(7,182)	(7,338)
Contributions Receivable	<u>\$ 168,992</u>	<u>\$ 182,927</u>

The University records contributions receivable at net realizable value. Net collectible contributions due in more than one year were discounted at an interest rate based on the Treasury Yield Curve. The discount (to present value) was determined using discount rates between 4.30% and 5.16%. Net collectible contributions due in less than one year were not discounted.

NOTE 4 STUDENT AND OTHER NOTES RECEIVABLE, NET

The University participates in the Perkins federal revolving loan program. As of September 30, 2017, the authority for providing new loans under this loan program expired. As a result, the University is only servicing outstanding loans which were issued prior to the expiration date. Funds advanced by the federal government are ultimately refundable to the government and are classified as liabilities in the consolidated statements of financial position. Outstanding loans cancelled under the program result in a reduction of the funds available for loan and a decrease in the liability to the government. As of June 30, 2024 and 2023, there were \$462 and \$790, respectively, of Perkins federal loans receivable. These student loans represent less than 0.1% of total assets as of June 30, 2024.

At June 30, the following amounts were past due under the Perkins student loan program:

	1 - 60 Days Past Due	60 - 90 Days Past Due	90+ Days Past Due	Total Past Due
2024	\$ 27	\$ 4	\$ 20	\$ 51
2023	\$ 44	\$ 8	\$ 80	\$ 132

Federal Perkins Loans that are originated and serviced properly under Department of Education regulations can be assigned to the Department of Education when deemed no longer collectible. The University is not aware of any material amount of loans not properly originated or serviced under Department of Education regulations. As a result, no allowance for credit losses has been recorded against these note receivables.

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NOTE 5 INVESTMENTS

The following table summarizes the value of investments at June 30:

	2024	2023
Cash Equivalents	\$ 108,063	\$ 112,291
Public Equities	334,507	275,433
Fixed Income	91,655	122,781
Real Assets	43,635	46,020
Marketable Alternatives	88,036	83,967
Private Equity	252,788	233,863
Total Market Value	<u>\$ 918,684</u>	<u>\$ 874,355</u>

The University investments include operating as well as endowment and other long-term assets. The University's long-term assets are invested in a diversified asset allocation approach, within defined limits, which maintains exposure to global equity, fixed income, real assets, hedge funds, and private equity through a partnership with external investment managers operating through a variety of investment vehicles including separate accounts, commingled funds, mutual funds, and limited partnerships.

Real assets includes commercial real estate currently leased to the city of Minneapolis. Real estate is recorded at its donated appraised value of \$15,662. The accumulated depreciation of the real estate at June 30, 2024 and 2023 was \$2,154 and \$1,762, respectively.

The components of investments and investment earnings are summarized below as of June 30:

	2024		
	Without Donor Restrictions	With Donor Restrictions	Total
<u>Investment Earnings</u>			
Interest and Dividends	\$ 7,268	\$ 4,385	\$ 11,653
Capital Gain	16,323	38,414	54,737
Total Investment Results	<u>\$ 23,591</u>	<u>\$ 42,799</u>	<u>\$ 66,390</u>

	2023		
	Without Donor Restrictions	With Donor Restrictions	Total
<u>Investment Earnings</u>			
Interest and Dividends	\$ 5,206	\$ 3,143	\$ 8,349
Capital Gains	10,251	24,929	35,180
Total Investment Results	<u>\$ 15,457</u>	<u>\$ 28,072</u>	<u>\$ 43,529</u>

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NOTE 6 FAIR VALUE MEASUREMENTS

Fair Value Hierarchy

The following table presents the University's fair value hierarchy for those assets and liabilities measured at fair value on a recurring basis at June 30:

	2024		
	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Unobservable Inputs (Level 3)
	Total		
Assets:			
Funds Held with Bond Trustees:			
Cash Equivalents	\$ 180,952	\$ -	\$ -
Total Funds Held with Bond Trustees	180,952	-	-
Investments:			
Cash Equivalents	72,876	-	-
Public Equities	102,223	-	-
Fixed Income	91,515	-	-
Private Equity	-	-	-
Total Investments	266,614	-	-
Total Assets	\$ 447,566	\$ -	\$ -
Liabilities:			
Interest Rate Swap Agreements	\$ -	175	\$ -
	2023		
	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Unobservable Inputs (Level 3)
	Total		
Assets:			
Funds Held with Bond Trustees:			
Cash Equivalents	\$ 75,764	\$ -	\$ -
Total Funds Held with Bond Trustees	75,764	-	-
Investments:			
Cash Equivalents	26,825	-	-
Public Equities	68,708	-	-
Fixed Income	122,661	-	-
Private Equity	-	-	-
Total Investments	218,194	-	-
Total Assets	\$ 293,958	\$ -	\$ -
Liabilities:			
Interest Rate Swap Agreements	\$ -	269	\$ -

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NOTE 6 FAIR VALUE MEASUREMENTS (CONTINUED)

Fair Value Hierarchy (Continued)

The following table presents the reconciliation to the consolidated statements of financial position for financial instruments as of June 30:

	2024	2023
Investments Measured at Fair Value	\$ 266,614	\$ 218,194
Investments Measured at Net Asset Value	652,070	656,161
	<u>\$ 918,684</u>	<u>\$ 874,355</u>

Net Asset Value

The fair value of certain investments has been estimated using the NAV as reported by the management of the fund. FASB guidance allows for the use of the NAV as a “practical expedient” to estimate the fair value of alternative investments. NAV reported by each alternative investment fund is used as a practical expedient to estimate the fair value of the University’s interest in the fund. The University generally considers a redemption period of 90 days or less to be near term.

Investments in certain entities that calculate NAV per share (or its equivalent) as of June 30:

	2024			
Redemption Frequency	Net Asset Value	Unfunded Commitments	Redemption Notice Period	Redemption Restrictions
Daily/Weekly:				
Cash Equivalents	\$ 31,222	\$ -		
Public Equities	60,084	-	1 Day	
Fixed Income	140	-		
Total Daily/Weekly	<u>91,446</u>	<u>-</u>		
Monthly:				
Public Equities	77,055	-	6-30 Days	
Total Monthly	<u>77,055</u>	<u>-</u>		
Quarterly:				
Public Equities	92,789	-	60 Days	
Real Assets	963	-	60 Days	
Marketable Alternatives	19,489	-	60-90 Days	
Total Quarterly	<u>113,241</u>	<u>-</u>		
Annual:				
Cash Equivalents	448			
Marketable Alternatives	55,538	5,255	60-90 Days	One fund has a side pocket
Total Annual	<u>55,986</u>	<u>5,255</u>		
Two or More Years:				
Cash Equivalents	3,517			
Public Equities	2,356	1,615	NA	
Real Assets	42,672	15,369	NA	
Marketable Alternatives	13,010	651	NA	One fund has a side pocket; two funds have holdbacks
Private Equity	252,787	92,792	NA	
Total Two or More Years	<u>314,342</u>	<u>110,427</u>		
Total Level 2 and Level 3 with NAV Per Share	<u>\$ 652,070</u>	<u>\$ 115,682</u>		

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NOTE 6 FAIR VALUE MEASUREMENTS (CONTINUED)

Net Asset Value (Continued)

	2023			
Redemption Frequency	Net Asset Value	Unfunded Commitments	Redemption Notice Period	Redemption Restrictions
Daily/Weekly:				
Cash Equivalents	\$ 81,793	\$ -		
Public Equities	54,578	-	1 Day	
Fixed Income	120	-		
Total Daily/Weekly	136,491	-		
Monthly:				
Public Equities	69,276	-	6-30 Days	
Total Monthly	69,276	-		
Quarterly:				
Public Equities	79,638	-	60 Days	
Real Assets	1,126	-	60 Days	
Marketable Alternatives	19,754	-	60-90 Days	
Total Quarterly	100,518	-		
Annual:				
Cash Equivalents	447	-		
Marketable Alternatives	51,738	4,618	60-90 Days	One fund has a side pocket
Total Annual	52,185	4,618		
Two or More Years:				
Cash Equivalents	3,226			
Public Equities	3,233	1,615	NA	
Real Assets	44,894	12,972	NA	
Marketable Alternatives	12,475	651	NA	One fund has a side pocket; two funds have holdbacks
Private Equity	233,863	90,082	NA	
Total Two or More Years	297,691	105,320		
Total Level 2 and Level 3 with NAV Per Share	\$ 656,161	\$ 109,938		

NOTE 7 DERIVATIVE INSTRUMENTS

The University uses interest rate swaps as part of its risk management strategy to manage exposure to fluctuations in interest rates and to manage the overall cost of its debt. Interest rate swaps are used to manage identified and approved exposures and are not used for speculative purposes. The interest rate swaps are recognized as either assets or liabilities on the consolidated statements of financial position and are measured at fair value. Interest rate swaps are often held for the life of the strategy, but may reflect significant interim unrealized gains or losses depending on the change in value since the inception of the contract. All unrealized and realized gains and losses from the interest rate exchange agreements are reflected in the consolidated statements of activities as net unrealized gain on interest rate exchange agreement.

In February 2006, the University entered into a forward interest rate swap agreement having a notional amount of \$12,300. This swap was utilized to reduce the volatility risk for a portion of the University's variable interest rate exposure on debt issue Series Six-H. The Series Six-H bond issue has been refinanced three times since 2006, most recently in 2020 by the 2020 Series A&B bonds. The swap remains outstanding, but the notional amount reduces annually to match the amortization of the 2020A&B bonds. The swap has a notional value of \$7,100 and \$7,760 as of June 30, 2024 and 2023, respectively. Under the swap agreement, the counterparty will pay the University a variable interest rate equal to 67% of the three-month London Interbank Offered Rate (LIBOR) and the University will pay the counterparty a fixed rate of 3.553% for a term that ends October 1, 2032. Subsequent to this agreement the University adopted the ISDA 2020 IBOR Fallback protocols providing transition to the Secured Overnight Financing Rate (SOFR).

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NOTE 7 DERIVATIVE INSTRUMENTS (CONTINUED)

The University's derivative instruments involve varying degrees of risk of loss in excess of the amount recognized in the consolidated statements of financial position arising from potential changes in market prices. The market value of the derivative contracts was \$29,592 and \$77,121 as of June 30, 2024 and 2023, respectively. Net gains from these derivative contracts are recognized on the consolidated statement of activities as other investment capital (loss) gain and summarized as follows:

	2024	2023
Investment (Loss) Gain	<u>\$ 1,492</u>	<u>\$ 5,353</u>

In addition, the University, through its investment activities, is indirectly involved in such activities as trading in futures, forward contracts, and other derivative products. Derivatives are used to adjust portfolio risk exposure. While these instruments may contain varying degrees of risk, the University's risk with respect to such transactions is limited to its respective share in each investment pool.

NOTE 8 LAND, BUILDINGS, AND EQUIPMENT

Land, buildings, and equipment and related accumulated depreciation at June 30 consist of the following:

	2024	2023
Land	\$ 47,701	\$ 38,210
Land Improvements	13,331	13,334
Buildings	752,258	626,899
Equipment, Library Books, Art Objects	165,629	152,479
Cost of Land, Buildings, and Equipment	<u>978,919</u>	<u>830,922</u>
Less: Accumulated Depreciation	<u>(362,065)</u>	<u>(344,151)</u>
Land, Buildings, and Equipment, Net of Depreciation	616,854	486,771
Add: Construction-in-Progress	40,860	116,706
Land, Buildings, and Equipment, as Reported	<u>\$ 657,714</u>	<u>\$ 603,477</u>

NOTE 9 UNEARNED TUITION INCOME & CONTRACT LIABILITIES

Unearned tuition income of \$5,617 and \$5,147 as of June 30, 2024 and 2023, respectively, represents performance obligations associated with payments received for each academic year's summer terms that usually begin in late-May to early-June and end in mid-July to late-August.

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NOTE 9 UNEARNED TUITION INCOME & CONTRACT LIABILITIES (CONTINUED)

The following tables depicts activities for deferred revenue related to tuition and fees:

<u>Balance at June 30, 2023</u>	<u>Refunds Issued</u>	<u>Revenue Recognized Included in June 30, 2023 Balance</u>	<u>Cash Received in Advance of Performance</u>	<u>Balance at June 30, 2024</u>
\$ 5,147	\$ (19)	\$ 5,128	\$ 5,617	\$ 5,617

<u>Balance at June 30, 2022</u>	<u>Refunds Issued</u>	<u>Revenue Recognized Included in June 30, 2022 Balance</u>	<u>Cash Received in Advance of Performance</u>	<u>Balance at June 30, 2023</u>
\$ 5,082	\$ (46)	\$ 5,036	\$ 5,147	\$ 5,147

The timing of revenue recognition, billings and cash collections results in billed accounts receivable (contract assets), unearned tuition income and customer advances and deposits (contract liabilities) on the Statement of Financial Position. In some instances, we receive advances or deposits from customers before revenue is recognized, resulting in contract liabilities. The deposits are liquidated when revenue is recognized.

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NOTE 10 BONDS PAYABLE

Bonds payable consists of the following at June 30:

	<u>2024</u>	<u>2023</u>
MHEFA Revenue Bonds, Series 2024		
Payable through 2054, interest at 5%, uncollateralized, proceeds used to for Lee and Penny Anderson Arena	\$ 159,390	\$ -
MHEFA Revenue Bonds, Series 2022		
Payable through 2053, interest at 5%, uncollateralized, proceeds used for STEAM building, Brady, Koch Commons, Dowling, Summit Classroom Building renovations and Athletic facilities	131,000	131,000
MHEFA Revenue Bonds, Series 2019		
Payable through 2044, interest at 4% to 5%, uncollateralized, proceeds used for Tommie North Residence Hall and Frey Residence Hall	76,840	78,325
MHEFA Revenue Bonds, Series 2017A	49,310	52,440
Payable through 2037, interest at 3% to 5%, uncollateralized, proceeds used for Anderson Student Center		
MHEFA Revenue Bonds, Series Eight-L	40,510	42,880
Payable through 2039, interest at 3% to 5%, uncollateralized, proceeds used to advance refund Series 6W and 6X, original proceeds used for Anderson Athletic and Recreation Complex and Anderson Parking Facility		
MHEFA Revenue Bonds, Series Seven-U	8,940	10,860
Payable through 2027, interest at 4% to 5%, uncollateralized, proceeds used to advance refund Series 5L and 5Z, original proceeds used for School of Law building, Schulze Hall and Terrence Murphy Hall		
MHEFA Revenue Notes, Series Seven Z	-	12,819
Payable through 2034, interest at 2.77%, uncollateralized, proceeds used to refund Series Five-Y, original proceeds used for Flynn Hall		

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NOTE 10 BONDS PAYABLE (CONTINUED)

	<u>2024</u>	<u>2023</u>
MHEFA Variable Rate Demand Revenue Bonds, Series 2017B	\$ 665	\$ 1,324
Payable through 2025, variable interest rate (not to exceed 15%), uncollateralized, proceeds used to refund Series Four-O and Five-C, original bond proceeds used for Science and Engineering Center, John Roach Center, Morrison Hall, and other additions		
 MHEFA Variable Rate Demand Revenue Bonds, Series 2020 A&B	 13,660	 15,195
Payable through 2032, fixed interest at weighted average 1.811%, uncollateralized: 51% proceeds used to refund Series 2017C, used to refund Series Six-H, original bond proceeds used for McNeely Hall; 49% proceeds used for Center of Well Being and Ireland Hall Renovations		
 Total Face Value of Long-Term Debt	 480,315	 344,843
Less: Debt Issuance Costs	(1,250)	(956)
Total Face Value of Long-Term Debt, Net of Costs	<u>\$ 479,065</u>	<u>\$ 343,887</u>
Approximate Market Value of Long-Term Debt	<u>\$ 502,867</u>	<u>\$ 356,147</u>

Interest expense was \$14,516 and \$12,089 for the years ended June 30, 2024 and 2023, respectively.

As of June 30, 2022, the variable interest rate associated with the above variable debt issues, and the associated interest rate swap agreements, was approximately 2.0%.

The annual maturities for bonds payable at June 30, 2024 are as follows:

<u>Years Ending June 30,</u>	<u>Amount</u>
2025	\$ 11,600
2026	12,760
2027	13,440
2028	37,465
2029	13,195
Thereafter	391,855
Total	<u>\$ 480,315</u>

The University has a line of credit of \$25,000 with interest at 1.29% plus the greater of (i) zero percent or (ii) the one-month forward-looking term rate based on SOFR which expires on February 28, 2025. At June 30, 2024 and 2023, the University had no borrowings under the line of credit.

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NOTE 11 ENDOWMENT

The University's endowment consists of over 600 individual funds established for a variety of purposes. Its endowment includes both donor-restricted endowment funds and funds designated by the board of trustees to function as endowments. As required by accounting principles generally accepted in the United States of America, net assets associated with endowment funds, including funds designated by the board of trustees to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law

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

In accordance with UPMIFA, the University considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds:

1. The duration and preservation of the fund
2. The purposes of the University and the donor-restricted endowment fund
3. General economic conditions
4. The possible effect of inflation and deflation
5. The expected total return from income and the appreciation of investments
6. Other resources of the University
7. The investment policies of the University

Changes in endowment net assets for the years ended June 30 are as follows:

	2024		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment Net Assets as of July 1	\$ 99,136	\$ 611,087	\$ 710,223
Investment Return:			
Investment Ordinary Income	738	4,385	5,123
Realized and Unrealized Capital Loss	6,897	38,123	45,020
Total Investment Gain	7,635	42,508	50,143
Release of Spending Policy	(2,511)	(21,558)	(24,069)
Contributions and Adjustments	-	14,558	14,558
Addition to (withdrawal from) Quasi-Endowment from (to) Operations	(10,603)	-	(10,603)
Other Adjustments, Net		8	8
Endowment Net Assets as of June 30	<u>\$ 93,657</u>	<u>\$ 646,603</u>	<u>\$ 740,260</u>

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NOTE 11 ENDOWMENT (CONTINUED)

Interpretation of Relevant Law (Continued)

	2023		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment Net Assets as of July 1	\$ 114,074	\$ 584,806	\$ 698,880
Investment Return:			
Investment Ordinary Income	747	3,143	3,890
Realized and Unrealized Capital Gain	5,267	24,754	30,021
Total Investment Gain	6,014	27,897	33,911
Release of Spending Policy	(3,294)	(19,286)	(22,580)
Contributions and Adjustments	-	17,670	17,670
Addition to (withdrawal from) Quasi-Endowment from (to) Operations	(17,898)	-	(17,898)
Other Adjustments, Net	240	-	240
Endowment Net Assets as of June 30	<u>\$ 99,136</u>	<u>\$ 611,087</u>	<u>\$ 710,223</u>

Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires the University to retain as a fund of perpetual duration. These deficiencies result from unfavorable market fluctuations that occurred shortly after the investment of new contributions for donor-restricted endowment fund and continued appropriation for certain programs that was deemed prudent by the governing body.

As of June 30, 2024, deficiencies of this nature together have an original gift value of \$17,375, a current fair value of \$15,589 and a deficiency of \$1,786. As of June 30, 2023, deficiencies of this nature together have an original gift value of \$4,192, a current fair value of \$3,654, and a deficiency of \$538. In accordance with accounting principles generally accepted in the United States of America, deficiencies of this nature that are reported in net assets with donor restrictions.

Return Objectives and Risk Parameters

The University has adopted investment and spending policies for endowment assets that attempt to minimize the volatility of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the organization must hold in perpetuity or for a donor-specified period as well as board-designated funds. Under this policy, as approved by the board of trustees, the endowment assets are invested in a manner that is intended to produce results that exceed the price and yield results of a representative benchmark, while assuming an appropriate level of investment risk. The University expects its endowment funds, over time, to provide a real rate of return sufficient to meet the University's spending policy, net of fees. Actual returns in any given year may vary from this amount.

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NOTE 11 ENDOWMENT (CONTINUED)

Strategies Employed for Achieving Objectives

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

Spending Policy and How the Investment Objectives Relate to Spending Policy

The University follows an endowment spending policy that authorizes spending of a percentage of the 12-quarter average market value of most endowments. This percentage is established annually for each endowment by the President of the University. The average aggregate spending rate approximated 4.5% in 2024 and 2023. The intent of the spending policy is to provide a resource to fund expenditures in accordance with the donor's wishes and at the same time, increase endowment fund value as a protection against inflation.

NOTE 12 NET ASSET SUMMARY AND RELEASES

Net assets at June 30 consisted of the following:

	2024		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment:			
Donor-Restricted for:			
Student Financial Aid	\$ -	\$ 306,907	\$ 306,907
Instruction and Other Related Activities	-	339,696	339,696
Total Donor-Restricted Endowments	-	646,603	646,603
Board-Designated for Educational and General Operations	93,657	-	93,657
Total Endowment	93,657	646,603	740,260
Operations:			
Current Unrestricted Operations	10,192	-	10,192
Gifts and Grants for Instructional Programs, Financial Aid, and Research	41,454	69,935	111,389
Long-Term Support of Educational and General Operations	126,076	-	126,076
Total Operations	177,722	69,935	247,657
Buildings and Equipment:			
Net Value of Buildings and Equipment	242,105	-	242,105
Funds for Building Projects	56,247	80,852	137,099
Total Buildings and Equipment	298,352	80,852	379,204
Other:			
Annuity Trust Agreements	-	7,688	7,688
Total	\$ 569,731	\$ 805,078	\$ 1,374,809

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NOTE 12 NET ASSET SUMMARY AND RELEASES (CONTINUED)

	2023		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment:			
Donor-Restricted for:			
Student Financial Aid	\$ -	\$ 283,808	\$ 283,808
Instruction and Other Related Activities	-	327,279	327,279
Total Donor-Restricted Endowments	-	611,087	611,087
Board-Designated for Educational and General Operations	99,136	-	99,136
Total Endowment	99,136	611,087	710,223
Operations:			
Current Unrestricted Operations	10,193	-	10,193
Gifts and Grants for Instructional Programs, Financial Aid, and Research	30,595	77,015	107,610
Long-Term Support of Educational and General Operations	131,276	-	131,276
Total Operations	172,064	77,015	249,079
Buildings and Equipment:			
Net Value of Buildings and Equipment	232,090	-	232,090
Funds for Building Projects	3,729	114,747	118,476
Total Buildings and Equipment	235,819	114,747	350,566
Other:			
Annuity Trust Agreements	-	12,645	12,645
Total	\$ 507,019	\$ 815,494	\$ 1,322,513

At June 30, 2024 and 2023, the University's net assets with donor restrictions were allocated as follows:

	2024	2023
With Donor Restrictions:		
Purpose and Time Restriction:		
Operations	\$ 69,935	\$ 77,015
Endowment	210,769	192,961
Annuity Trust Agreements	7,688	12,645
Plant Acquisitions	80,852	114,747
Contributions Receivable	-	-
Total Purpose and Time Restricted	\$ 369,244	\$ 397,368
Held in Perpetuity:		
Endowment	\$ 383,494	\$ 360,315
Annuity Trust Agreements	173	107
Contributions Receivable	52,167	57,704
Total Held in Perpetuity	\$ 435,834	\$ 418,126
Total Net Assets With Donor Restrictions	\$ 805,078	\$ 815,494

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NOTE 12 NET ASSET SUMMARY AND RELEASES (CONTINUED)

Net assets with donor restrictions were released from donor restrictions by incurring expenses, which satisfied the restricted purpose, or by the occurrence of other events specified by donors in the following manner at June 30:

	2024	2023
Purpose Restrictions Accomplished:		
Instructional Activities, Student Financial Aid, and Other Purposes	\$ 40,684	\$ 32,608
Unrestricted Donor Pledges Received for Education and General Operations Buildings and Equipment	29,785	3,373
Net Asset Reclassifications	-	(4,198)
Total Restrictions Released	<u>\$ 70,469</u>	<u>\$ 31,783</u>

NOTE 13 LIQUIDITY

The University regularly monitors liquidity required to meet its operating needs and other contractual commitments, while also striving to maximize the investments of its available funds. As of June 30, the following assets and liquidity resources could be made available within one year to meet general expenditures:

Financial Assets:	2024	2023
Cash and Cash Equivalents	\$ 1,582	\$ 1,332
Accounts Receivable	9,921	6,938
Contributions Receivable	33,411	30,261
Subsequent Year's Endowment Payout	27,147	24,766
Other Investments Appropriated for Current Use	76,411	61,028
Total Financial Assets Available Within One Year	<u>148,472</u>	<u>124,325</u>
Liquidity Resources:		
Bank Line of Credit	25,000	10,000
Total Financial Assets and Liquidity Resources Available Within One Year	<u>\$ 173,472</u>	<u>\$ 134,325</u>

The University's endowment funds consist of donor endowment and quasi-endowment funds. Quasi-endowed funds are amounts that could be available to spend from the corpus, although that is not the intention of the board.

NOTE 14 RETIREMENT BENEFITS

Retirement benefits are provided for substantially all full-time employees. Under this 403(b) retirement plan, the University makes contributions of a defined percentage of covered payroll. Contributions charged to operations for these benefits were \$10,806 and \$10,410 for the years ended June 30, 2024 and 2023, respectively.

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NOTE 15 FUNCTIONAL ALLOCATION OF EXPENSES

The University's primary program service is academic instruction. Expenses reported as auxiliary enterprises, student activities and services, academic support, libraries, public service and research are incurred in support of this primary program activity. Expenses are directly coded to programs or support services whenever possible. Natural expense attributable to more than one functions expense category are allocated using a variety of cost allocation techniques, such as square feet and time and effort.

Expenses by functional classification for the years ended June 30 consist of the following:

	2024			
	Program	Institutional Support	Fundraising	Total
Compensation	\$ 174,002	\$ 23,864	\$ 10,359	\$ 208,225
Supplies	19,145	337	107	19,589
Utilities, Rent, and Repairs	13,316	1,156	144	14,616
Professional Services	10,239	1,512	811	12,562
Insurance, Licenses, and Other	12,070	4,113	859	17,042
Travel	8,035	680	194	8,909
Depreciation	19,829	1,073	144	21,046
Interest	14,050	456	10	14,516
Total Expenses Per Statement of Activities	<u>\$ 270,686</u>	<u>\$ 33,191</u>	<u>\$ 12,628</u>	<u>\$ 316,505</u>

	2023			
	Program	Institutional Support	Fundraising	Total
Compensation	\$ 168,103	\$ 21,989	\$ 9,875	\$ 199,967
Supplies	18,206	450	96	18,752
Utilities, Rent, and Repairs	13,273	807	183	14,263
Professional Services	8,127	3,141	829	12,097
Insurance, Licenses, and Other	10,663	2,294	645	13,602
Travel	7,330	165	188	7,683
Depreciation	17,514	1,006	131	18,651
Interest	12,020	62	7	12,089
Total Expenses Per Statement of Activities	<u>\$ 255,236</u>	<u>\$ 29,914</u>	<u>\$ 11,954</u>	<u>\$ 297,104</u>

NOTE 16 RELATED PARTY TRANSACTIONS

Pledges totaling \$62,822 and \$64,463 for the years ended June 30, 2024 and 2023, respectively, from board of trustee members are included in the statements of financial position as Contribution Receivable.

A board member is related to a company that has provided building design and construction services. The value of these contracts is \$160,900 with \$8,817 being included in accounts payable and accrued liabilities at June 30, 2024. Any contracts entered into were approved in accordance with the board of trustees' conflict of interest policy.

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NOTE 16 RELATED PARTY TRANSACTIONS (CONTINUED)

The University provides administrative support to the St. Paul Seminary through accounting assistance, access to the University's administrative computer systems to record financial transactions, building maintenance and utility services, general access to the University computer network, and other support functions. In addition, the St. Paul Seminary provides subsidies to the University for operations of the Saint Paul Seminary School of Divinity of the University of St. Thomas. The payable due to the St. Paul Seminary was \$853 and the receivable due from the St. Paul Seminary was \$432 for the years ended June 30, 2024 and 2023, respectively. This receivable balance is included on the consolidated statements of financial position.

NOTE 17 LEASES

The University has entered into both finance and operating leases for facilities, equipment, and vehicles. The lease terms generally range from three years to five years with options to renew at varying times. In the normal course of business, it is expected that these leases will be renewed or replaced by similar leases.

The following table provides quantitative information concerning the University's leases:

	<u>2024</u>	<u>2023</u>
Lease Cost:		
Finance Lease Cost:		
Amortization of Right-to-Use Asset	\$ 2,966	\$ 2,676
Interest on Lease Liability	354	288
Operating Lease Cost	775	678
Short-Term Lease Cost	-	-
Variable Lease Cost	33	25
Total Lease Cost	<u>\$ 4,128</u>	<u>\$ 3,667</u>
Other Information:		
Cash Paid for Amounts Included in the Measurement of Lease Liabilities:		
Operating Cash Flows from Financing Leases	\$ 2,966	\$ 2,676
Operating Cash Flows from Operating Leases	\$ 775	\$ 678
Financing Cash Flows from Finance Lease	\$ 354	\$ 288
Right-of-Use Assets Obtained in Exchange for New Finance Lease Liabilities	\$ 3,620	\$ 5,828
Right-of-Use Assets Obtained in Exchange for New Operating Lease Liabilities	\$ -	\$ -
Weighted Average Remaining Lease Term - Finance Leases	3.1 Years	3.0 Years
Weighted Average Remaining Lease Term - Operating Leases	2.0 Years	2.9 Years
Weighted Average Discount Rate - Finance Leases	3.1%	2.9%
Weighted Average Discount Rate - Operating Leases	5.5%	5.5%

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NOTE 17 LEASES (CONTINUED)

A maturity analysis of annual undiscounted cash flows for lease liabilities of June 30, 2024 is as follows:

<u>Year Ended June 30,</u>	Finance Leases	Operating Leases
2024	\$ 3,497	\$ 614
2025	2,106	170
2026	1,379	101
2027	1,022	51
2028	188	-
Thereafter	-	-
Total Future Commitments	8,192	936
Less: Amount Representing Interest	(782)	(70)
Present Value of Future Minimum Lease Payments	<u>\$ 7,410</u>	<u>\$ 866</u>

Operating leases are included in other assets and other liabilities, and finance leases are included in land, building and equipment, net and other liabilities in the statements of financial position. The asset and liability balances are as follows:

	2024	2023
<u>Finance Lease Assets:</u>		
Right-of-Use Assets - Finance Assets, Net of Amortization	\$ 7,410	\$ 7,103
Other Land, Buildings, and Equipment, Net	650,304	596,374
Total Land, Buildings, and Equipment	<u>\$ 657,714</u>	<u>\$ 603,477</u>
<u>Operating Lease Assets:</u>		
Right-of-Use Assets - Operating Assets	\$ 866	\$ 1,450
Other Inventories, Prepaid Expenses, and Other Assets	6,432	5,933
Total Inventories, Prepaid Expenses, and Other Assets	<u>\$ 7,298</u>	<u>\$ 7,383</u>
<u>Finance and Operating Lease Liabilities:</u>		
Finance Lease Liability	\$ 7,410	\$ 6,860
Operating Lease Liability	866	1,450
Other Deposits and Other Liabilities	31,811	26,748
Total Deposits and Other Liabilities	<u>\$ 40,087</u>	<u>\$ 35,058</u>

NOTE 18 COMMITMENTS AND CONTINGENCIES

In the normal course of operations, the University is subject to various claims and lawsuits. Additionally, amounts received and expended under various federal and state programs are subject to audit by government agencies. In management's opinion, the ultimate resolution of these contingencies would not have a significant adverse effect upon the overall consolidated financial position, operations, or cash flows of the University.

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NOTE 18 COMMITMENTS AND CONTINGENCIES (CONTINUED)

The University is self-insured with respect to certain workers' compensation costs. The University's stop-loss insurance limits the University's liability to \$500 per incident and \$2,097 in aggregate per year.

The University has a self-insured health benefit plan that covers active employees who elect to participate. Total claims and stop-loss provision costs, less premium payments from participants, were \$14,137 and \$13,468 for the fiscal years ending in 2024 and 2023 respectively. The University carries stop-loss insurance coverage that limits the University's claim liability to \$300 for each individual on an annual basis, with aggregate claim liabilities of \$19,902 and \$21,027 for fiscal years ended 2024 and 2023, respectively.

During 2024, the University entered into agreements with various parties in connection with construction of the following building projects:

	Estimated Total Cost	Project Costs Incurred as of June 30, 2024
Anderson Arena	\$ 159,790	\$ 30,895
Other Projects	1,126	1,017
Totals	<u>\$ 160,916</u>	<u>\$ 31,913</u>

NOTE 19 CONCENTRATIONS

Support revenue, which is a combination of Private Gifts & Grants, Grants & Contracts and Endowment Gifts on the Statement of Activities, from one funder represents 13% and nine funders represent 28% of the University's total support revenue for the years ended June 30, 2024 and 2023, respectively. Contributions receivable from two funders represent 45% and two funders represent 50% of the University's contributions receivable as of June 30, 2024 and 2023, respectively.

NOTE 20 COMPOSITE SCORE

The University participates in various federally funded student financial aid programs. Under regulatory provisions of these programs, the University is required to demonstrate financial responsibility by meeting a certain composite score based on a formula developed by the Department of Education. This score uses financial ratios based on the University's audited financial statements. The composite score calculated reflects the overall relative financial health of institutions along a scale of negative 1.0 to positive 3.0. A score greater than or equal to 1.5 indicates the institution is considered financially responsible.

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NOTE 20 COMPOSITE SCORE (CONTINUED)

The composite score for the year ended June 30, 2024, is as follows:

Primary Reserve Ratio:

Expendable Net Assets	\$ 536,727	
Total Expenses/Losses	<u>\$ 313,489</u>	<u>1.7121</u>

Equity Ratio:

Modified Net Assets	\$ 1,311,987	
Modified Assets	<u>\$ 1,883,536</u>	<u>0.6966</u>

Net Income Ratio

Change in Net Assets Without Donor Restrictions	\$ 62,712	
Total Revenue/Gains	<u>\$ 395,348</u>	<u>0.1586</u>

	<u>Ratios</u>	<u>Strength Factors</u>	<u>Weight</u>	<u>Composite Score</u>
Primary Reserve	1.71	3.00	40%	1.20
Equity	0.70	3.00	40%	1.20
Net Income	0.16	3.00	20%	0.60
Total Composite Score				<u><u>3.00</u></u>

