MORAVIAN
UNIVERSITY

# FINANCIAL REPORT

## 2022-2023

MORAVIAN UNIVERSITY

# Management Discussion

2023 was a year characterized as one of **challenge** and **progress**. The challenge relates to the lingering financial effects of the reduced enrollment and retention experienced during the COVID years of 2020 and 2021. As those smaller classes remain part of the overall student population, the corresponding reduction in net tuition revenue from the undergraduate programs required the institution to instill discipline with overall spending. While it was critical to reduce costs, it was even more crucial to stay true to the strategic plan and maintain momentum in rebounding enrollments in both graduate and undergraduate programs in the post-COVID environment. Success in addressing this challenge provided significant progress in the development and continuation of many strategic initiatives.

From the curricular perspective, the development of innovative academic programs continued, most notably through the creation of the School of Behavioral and Community Health. This School will not only attract students to programs in high demand but will produce graduates that will serve a critical need in addressing the mental health crisis of our community and nation. The school hired its founding Dean, and students are already enrolled in the Masters of Clinical Counseling program and will soon be enrolled in a Masters of Social Work and Masters in School Counseling programs.

The Elevate undergraduate experience, a primary component of the strategic plan, is now in its second full year of implementation and continues to provide students with unprecedented levels of career and academic support to prepare them for post-college success, either in graduate school or a fulfilling career. Co-curricular and curricular programs are designed to address critical skills in the areas of career exploration, academic and career advising, leadership and teamwork development, and global experiences. Investments in people and programs continue to support these differentiating elements of Elevate.

In other academic achievements, faculty were instrumental in Moravian University being awarded more than $2.1 million in grants. A $1.2 million grant through the National Science Foundation's Robert Noyce Teacher Scholarship Program will support talented science, technology, engineering, and mathematics (STEM) undergraduate majors and professionals to become effective K-12 STEM teachers in high-need school districts. Another grant from the National Science Foundation for $503,000 will support faculty-student field research investigating the impact of storm events on the distribution and physical traits of important grasses and shrubs. A final notable grant came from the National Institute of General Medical Sciences of the National Institutes of Health (NIH). The $409,000 grant is meant to provide research opportunities for undergraduates in an area of scientific significance with major potential for growth and success.

In athletics, our collective programs enjoyed success with 15 teams competing in the postseason, the men's cross-country team winning its second straight Landmark Conference, 98 student-athletes earning All-Conference honors, 40 All-Region honorees, 234 Conference Academic Honor Roll selections, and highlighted by the women's softball team advancing to the Division III National World Series. This was the softball program's 22nd 30-win season in the last 29 years, and the Hounds finished the year ranked No. 6 in the final 2023 National Fastpitch Coaches Association Division III Top 25 Poll.

The Lighting the Way comprehensive campaign entered the public phase with a kickoff celebration. To date, the campaign has already raised $65.8 million toward the overall $75 million goal. The signature capital element of the campaign is the $40 million renovation of the Haupert Union Building (HUB). The three-story expansion of the student union is expected to break ground in January 2024. In other capital projects this past year, over 2,500 NASF of art studio space was added to the top two floors of South Hall, and improvements continue each year in residence halls for the students.

# Financial Review

## Investments

Financial markets rebounded from the prior year and provided a modest benefit to non-operating financial activities. The market value of the total endowment investment portfolio increased by $6.7 million or 4.8% and ended the 2022/23 fiscal year at $142 million. This includes an endowment of $138 million, funds held in trust of $2.6 million, and long-term campaign investments of $1.6 million. The total investment portfolio comprised 51.7% domestic and international equity, 27.7% alternative assets, 17.7% fixed income, 1.5% real estate and natural resources, and 1.4% cash. Over the past five years, the fund has received gifts of $20.4 million and has provided $34.4 million in support for operations and capital projects. Investment returns for the one, three, and five-year periods were 7.6%, 10.0%, and 7.0%, respectively. The endowment spending rate for 2022/23 remained a conservative 4.5%, producing approximately $5.7 million, of which $2.5 million was used for University and Seminary financial aid.

## Statement of Financial Position

Total assets decreased $1.5 million year over year, primarily driven by a decrease in cash and cash equivalents. Noncurrent assets increased slightly from the prior year as a direct result of investment performance offset by a reduction in pledges receivable due to a large pledge payment made in the current year. There was a slight reduction in student loans receivable and a decrease in the overall land, buildings, and equipment, net of additions and depreciation. Total liabilities continued to decrease this year by $3.7 million. Long-term debt reduction accounted for most of this decrease, and no new debt was issued in 2022/23.

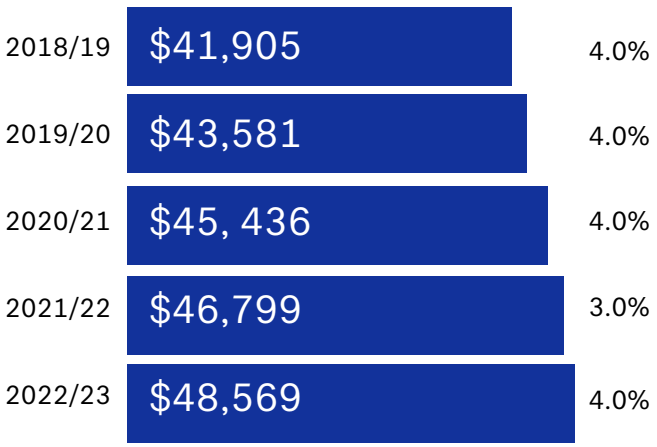
## Statement of Activities

In consolidation, operating revenues decreased by $2.3 million from the prior year. Tuition and fees, net of financial aid, increased by $1.9 million over the prior year and was attributed to continued increases in graduate program enrollments. Investment income and other revenue sources also contributed positive revenue streams over the prior year. Increases in auxiliary revenues were a result of increased occupancy in the residence halls and the associated increase in meal plans. Federal grants and contracts decreased by $5.3 million due to the final HEERF grant funding closing out in the prior year. Operating expenses continued to climb with continued inflationary pressures on products, services, and wages. Utility rate increases and higher food costs contributed to the increase in Auxiliary enterprise expenses. Higher travel costs impacted both Athletics and Resident instruction expenses. Fundraising expenses increased due to the Lighting the Way Campaign entering the public phase. Higher health care claims and legal expenses also added to the year-over-year increase in operating expenses. Despite an operating loss, overall net assets increased by $2.2 million.

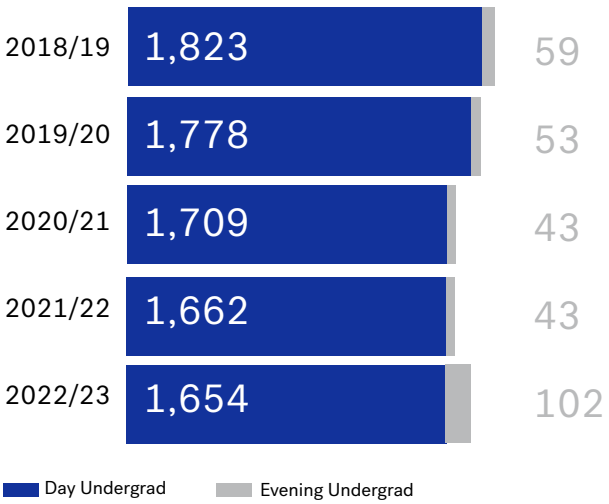
## Statement of Cash Flows

Cash and cash equivalents were lower by $3.7 million mainly because of the June 2022 drawdown of the final HEERF funds, thus inflating the 2021/22 year-end cash balances. Operating activities of the University provided $3.9 million in cash. Investing activities were mostly attributed to $6.1 million of purchases of land, buildings, and equipment, an increase of $1.3 million over prior year capital investments. Financing activities used $2.5 million, which includes the net of $2.6 million in gifts and grants restricted for long-term investments, and a total of $5.1 million in repayment of debt and finance lease obligations.

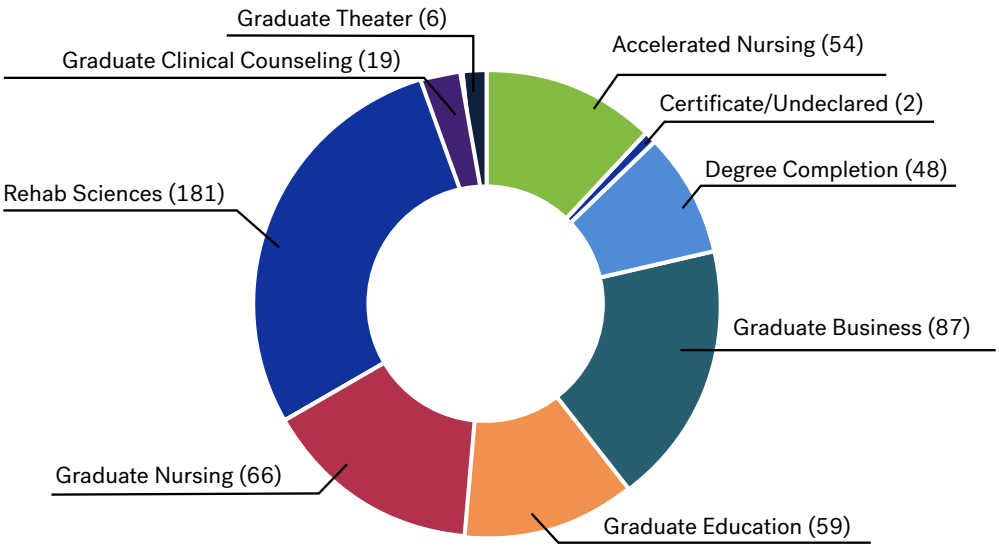
## Full-Time Tuition Rate: Undergraduate




## FTE Students: Undergraduate

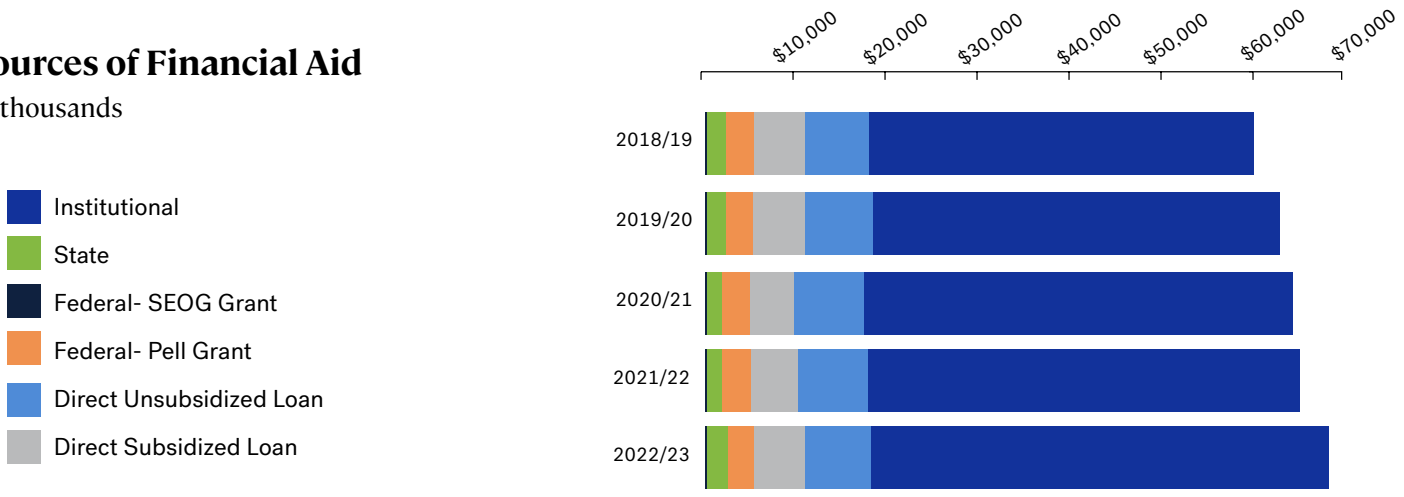



## FTE Students: Graduate & Adult - 2022/23



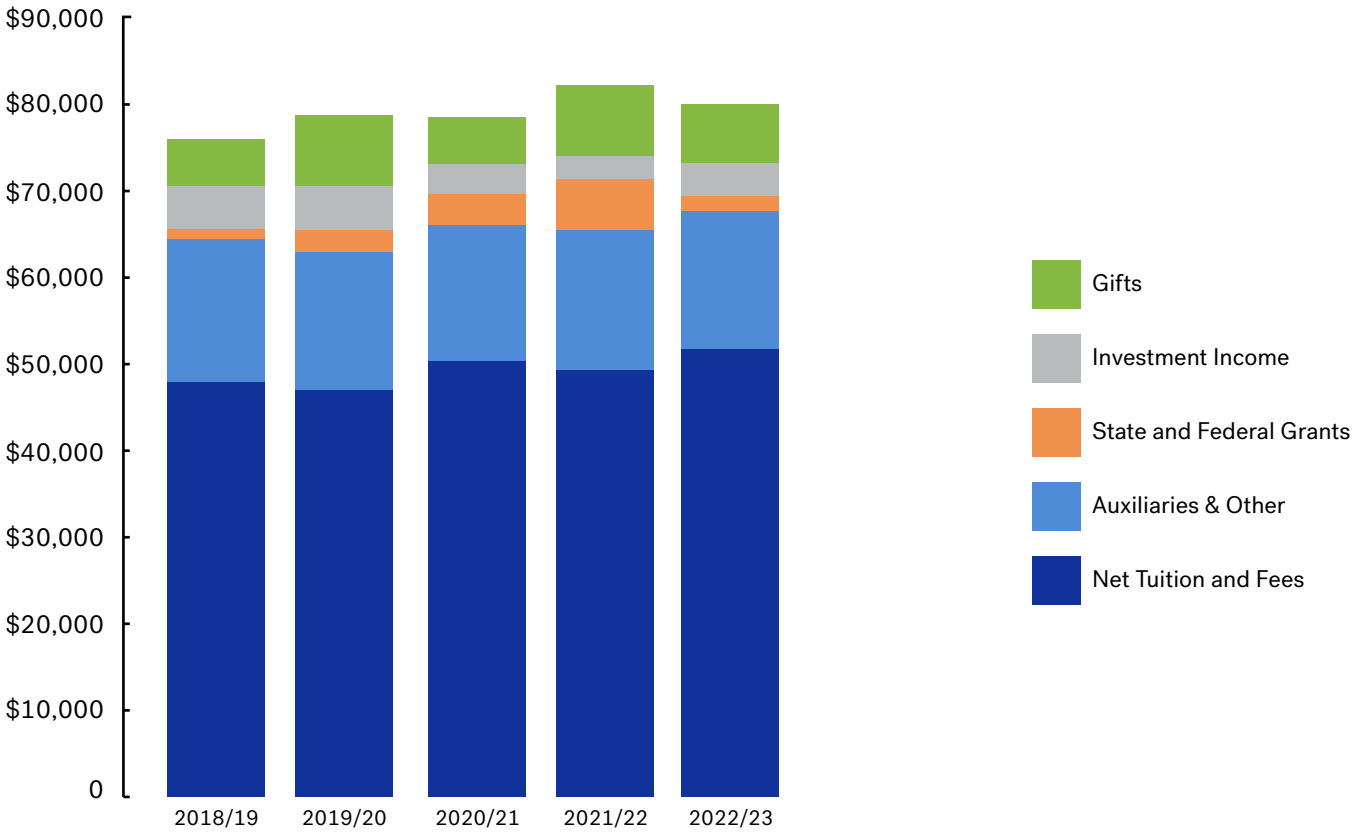

## Sources of Financial Aid

In thousands



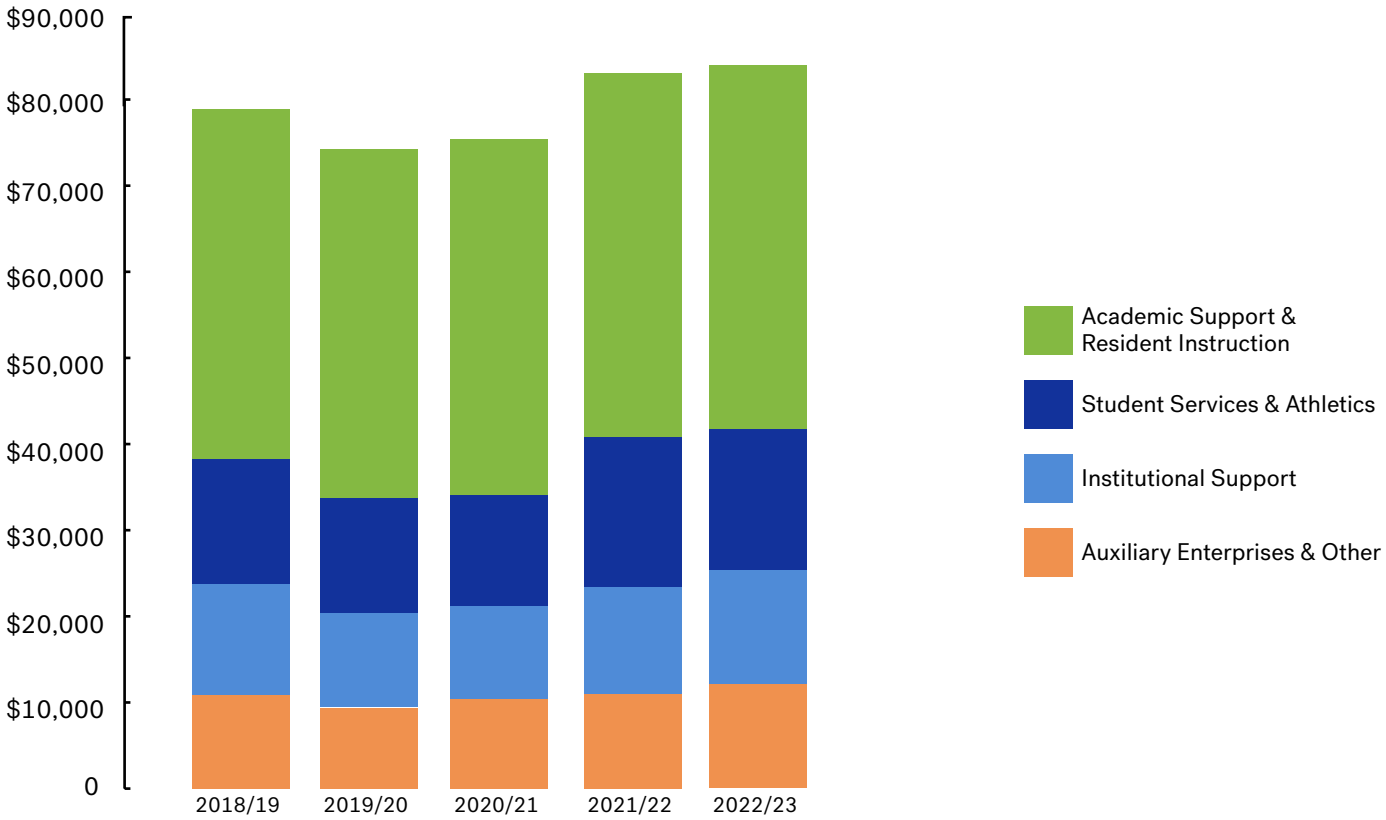
## Sources of Revenue (Consolidated)

In thousands



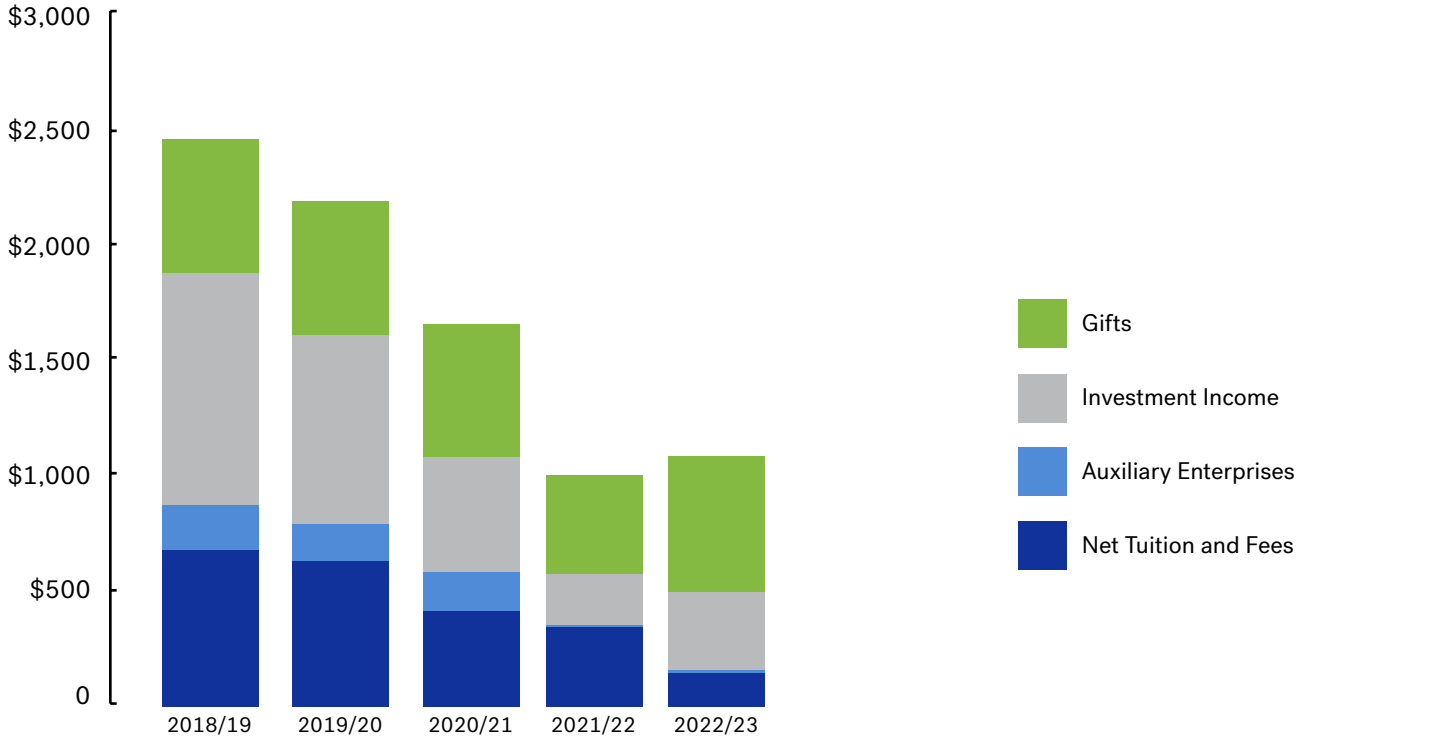

## Operating Expenses (Consolidated)

In thousands



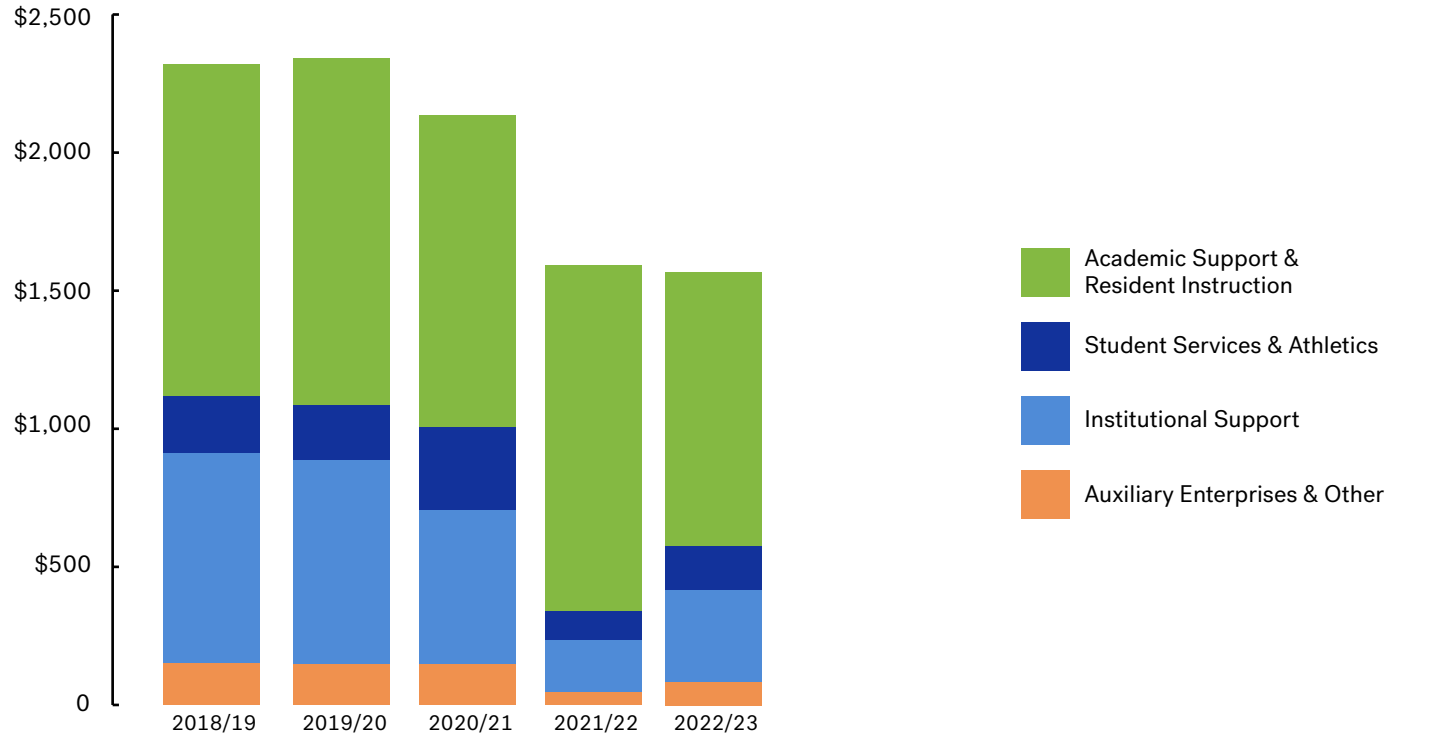
## Sources of Revenue - Seminary

In thousands



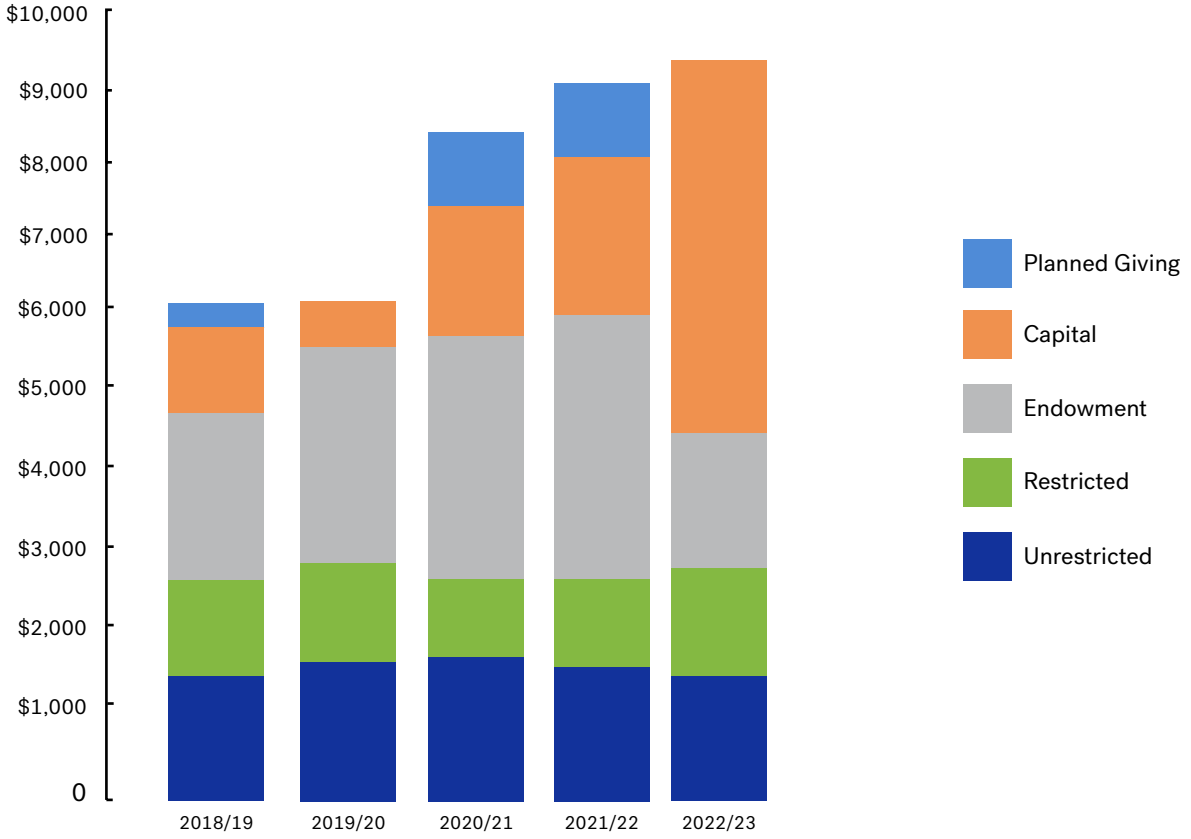

## Operating Expenses - Seminary

In thousands



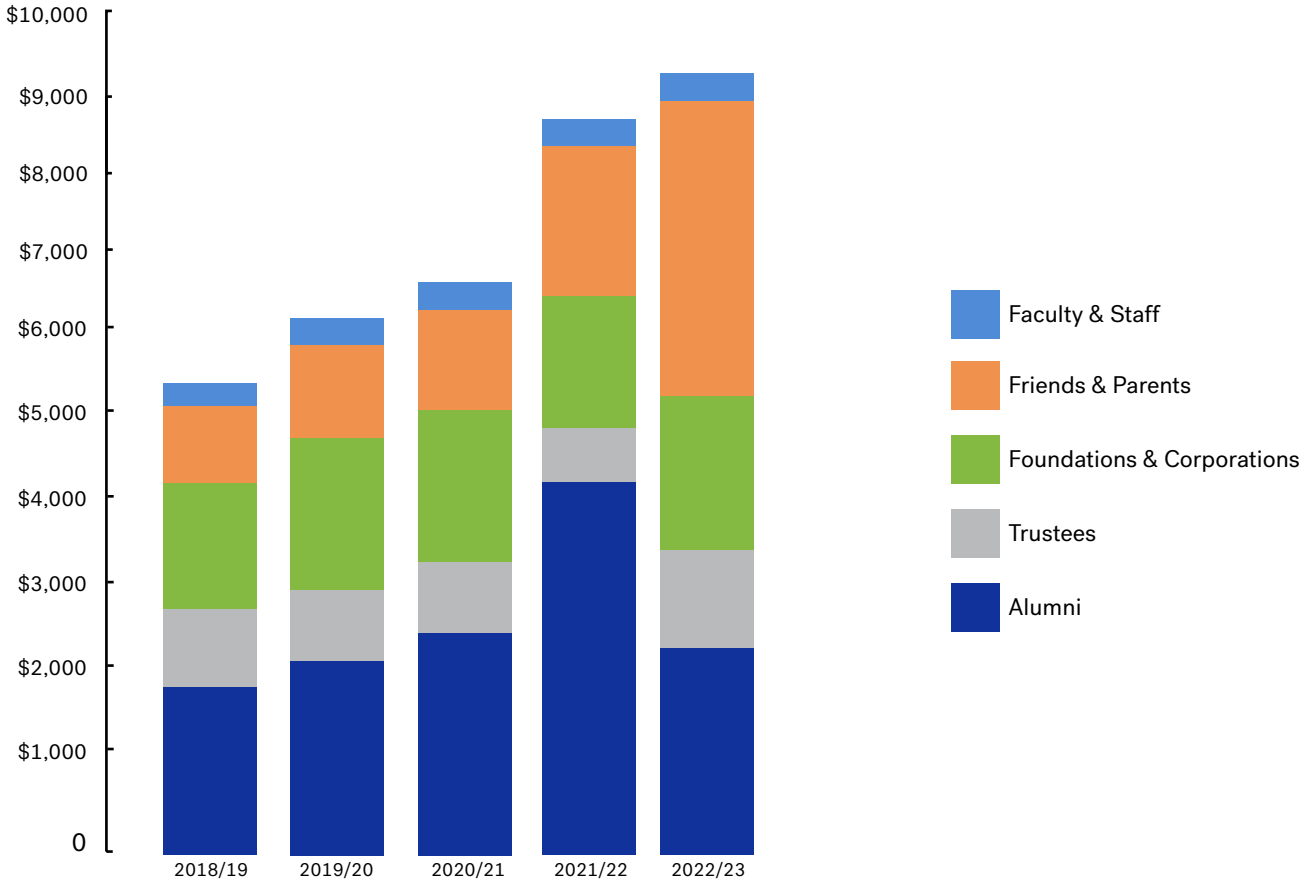
## Giving History (University by Purpose)

In thousands



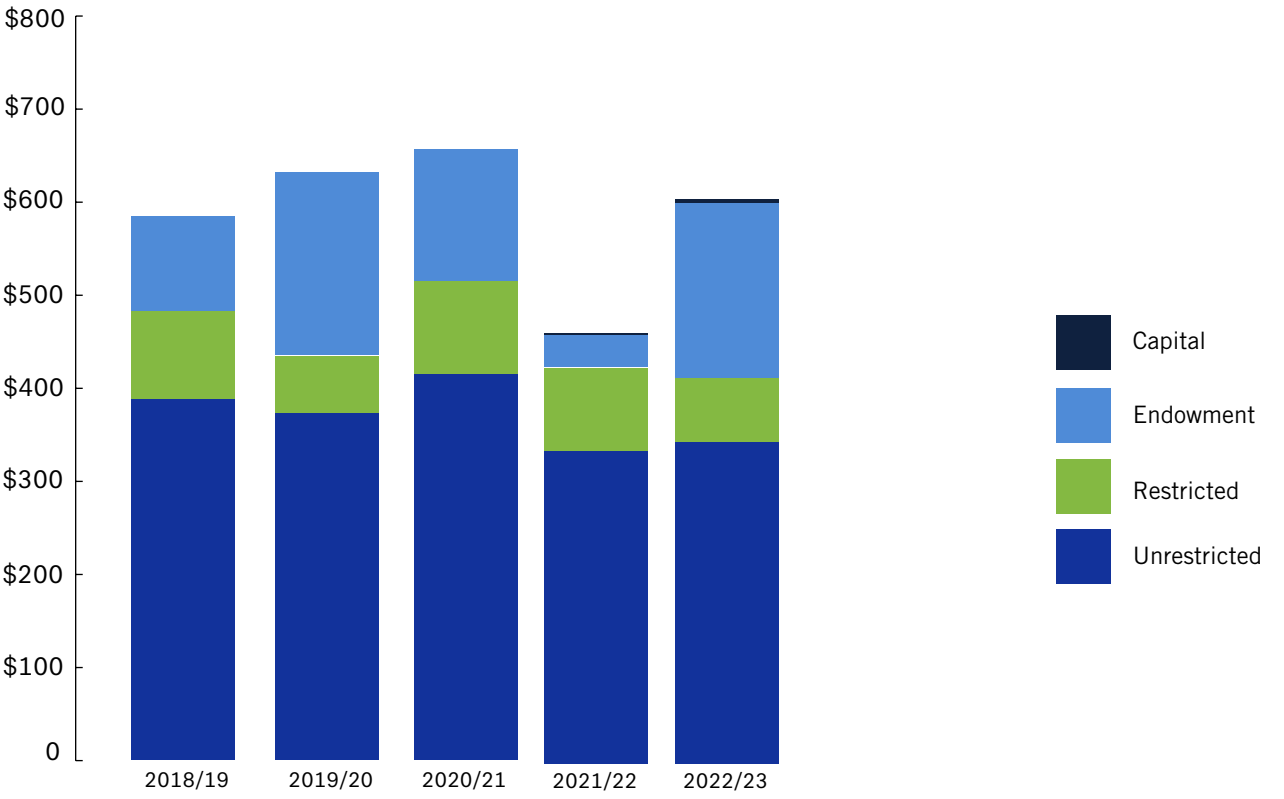

## Giving History (University by Source)

In thousands



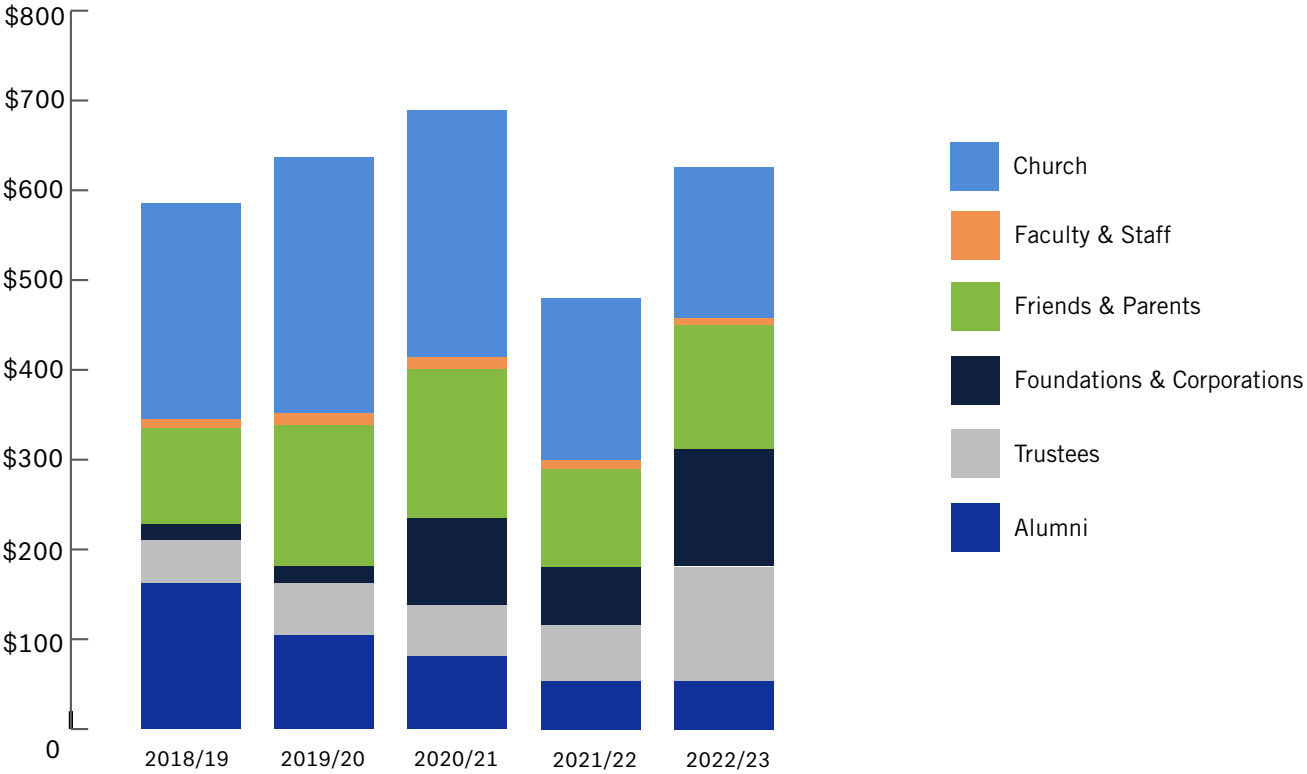
## Giving History (Seminary by Purpose)

In thousands



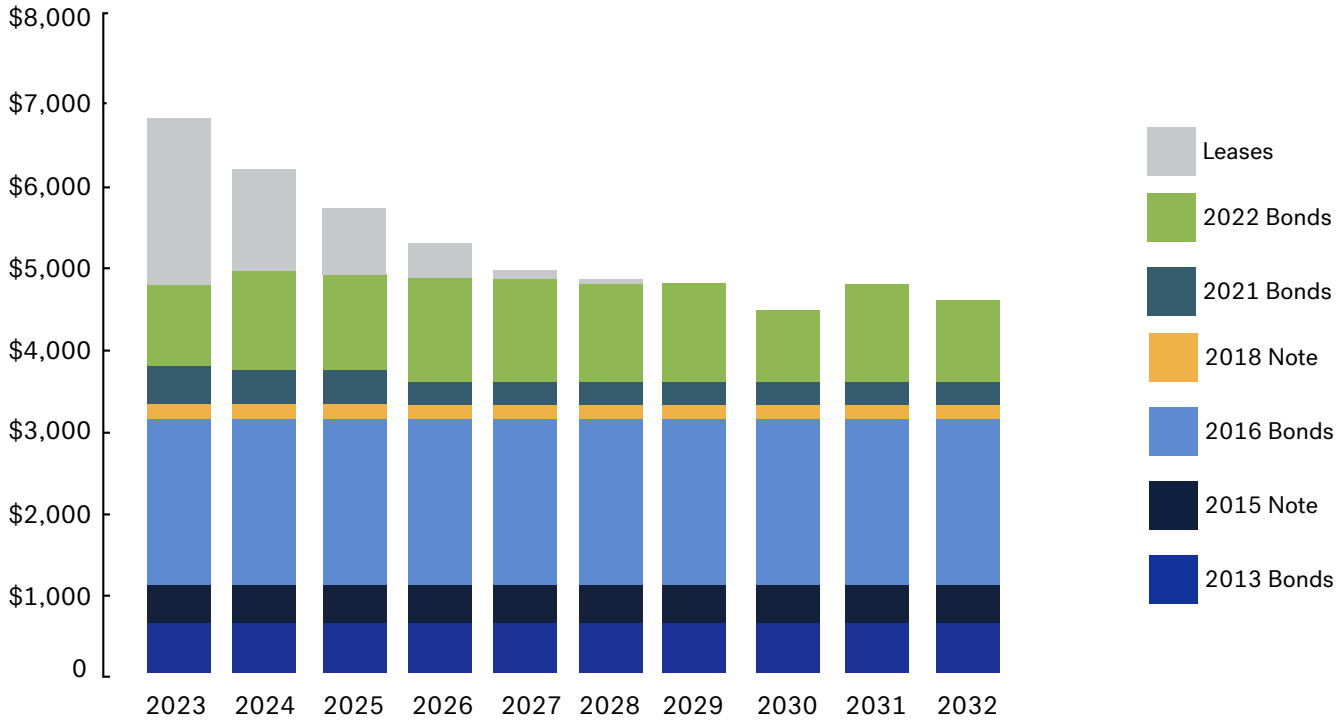

## Giving History (Seminary by Source)

In thousands



## 10 Year Debt Service Summary

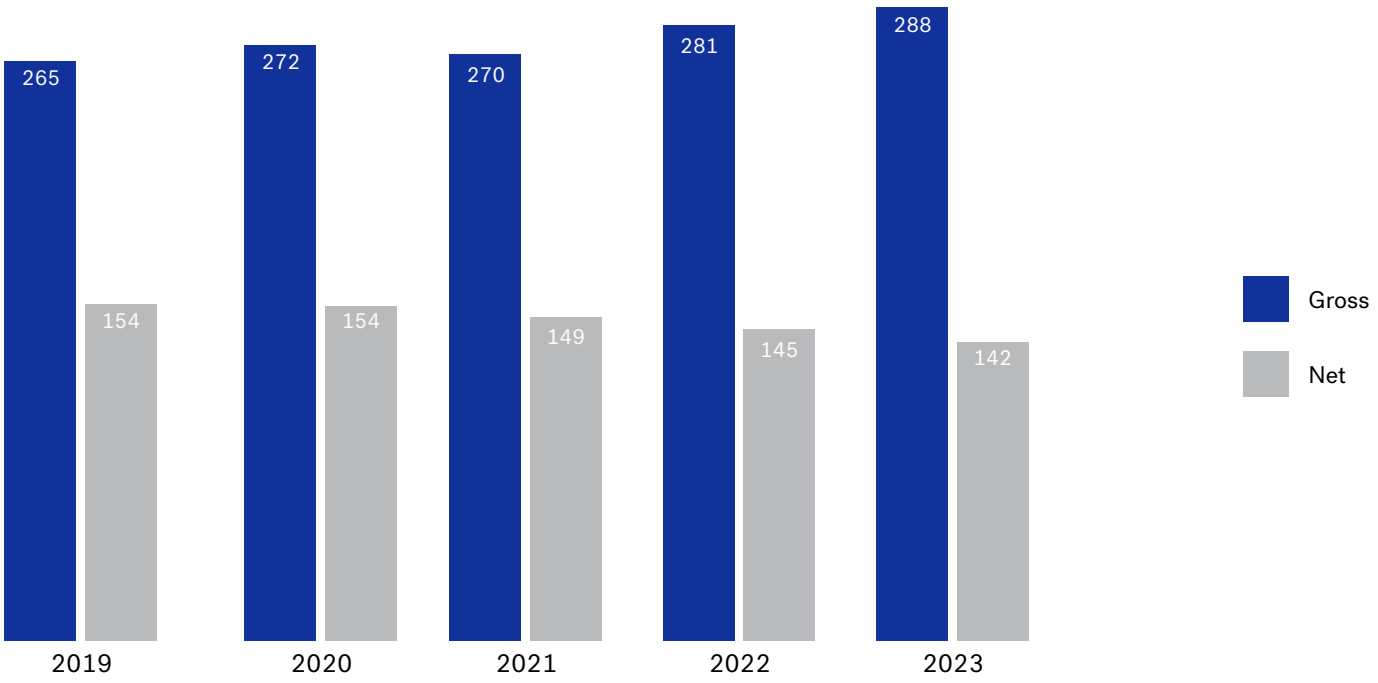
In thousands




## Investment in Property, Plant & Equiptment

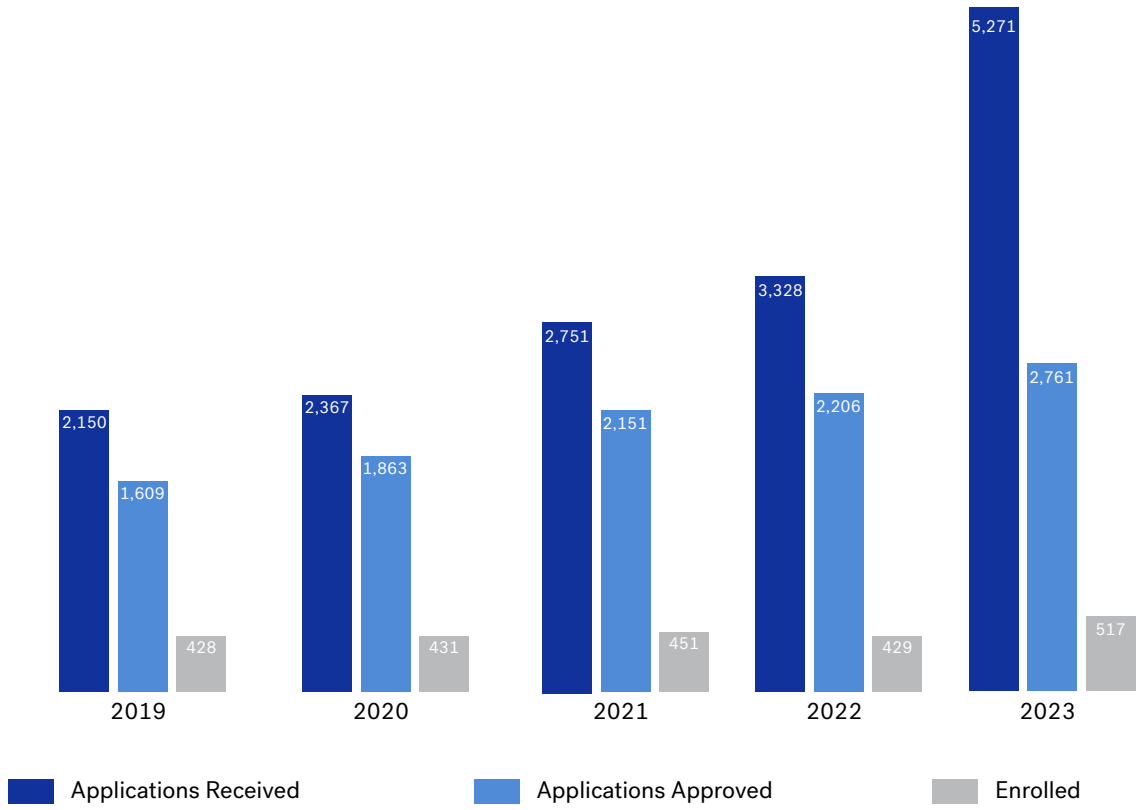
### Gross & Net of Depreciation

In millions



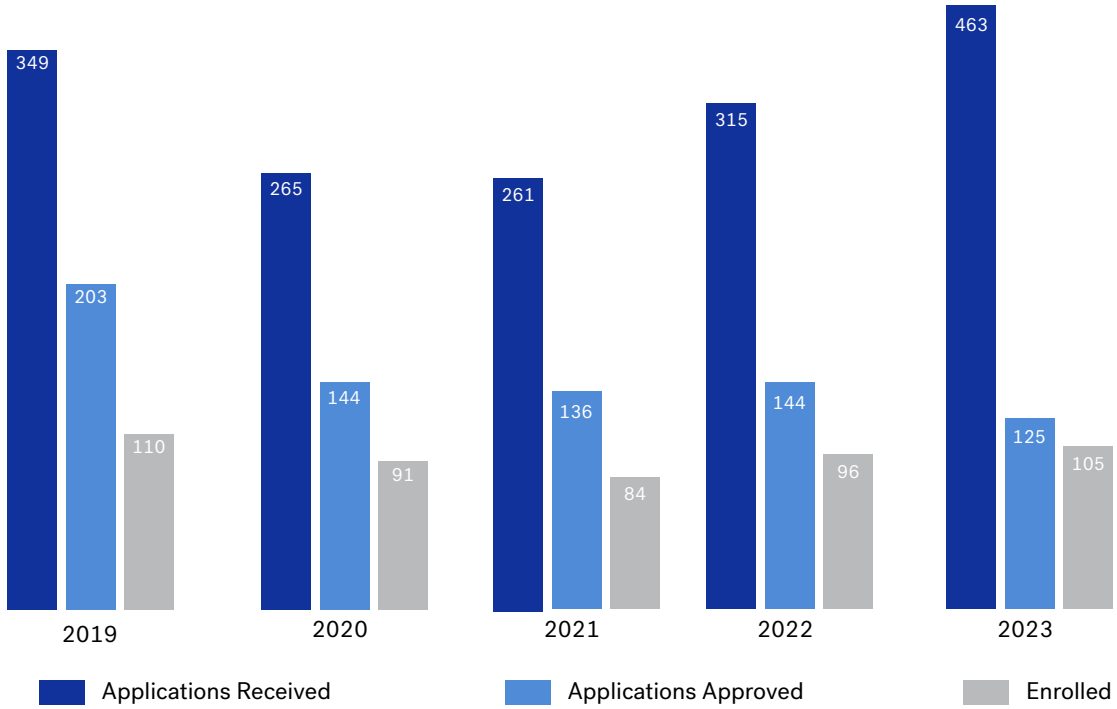
## Freshman Applications

By entrance year, fall of:



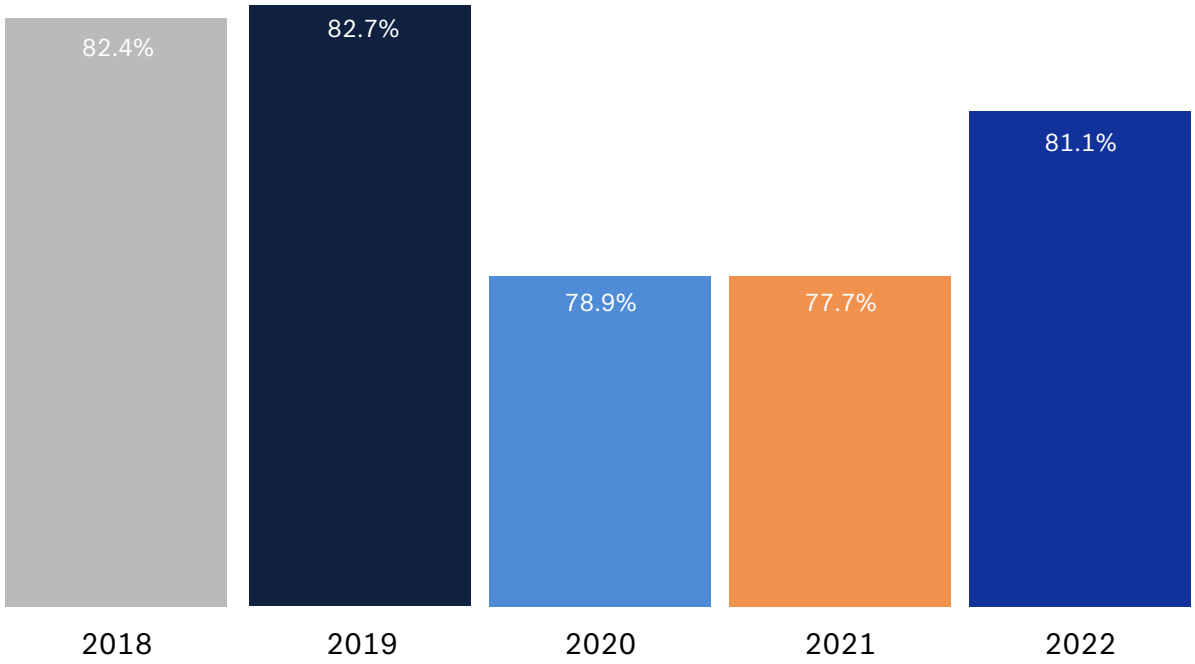

## Transfer Applications

By entrance year, fall of:



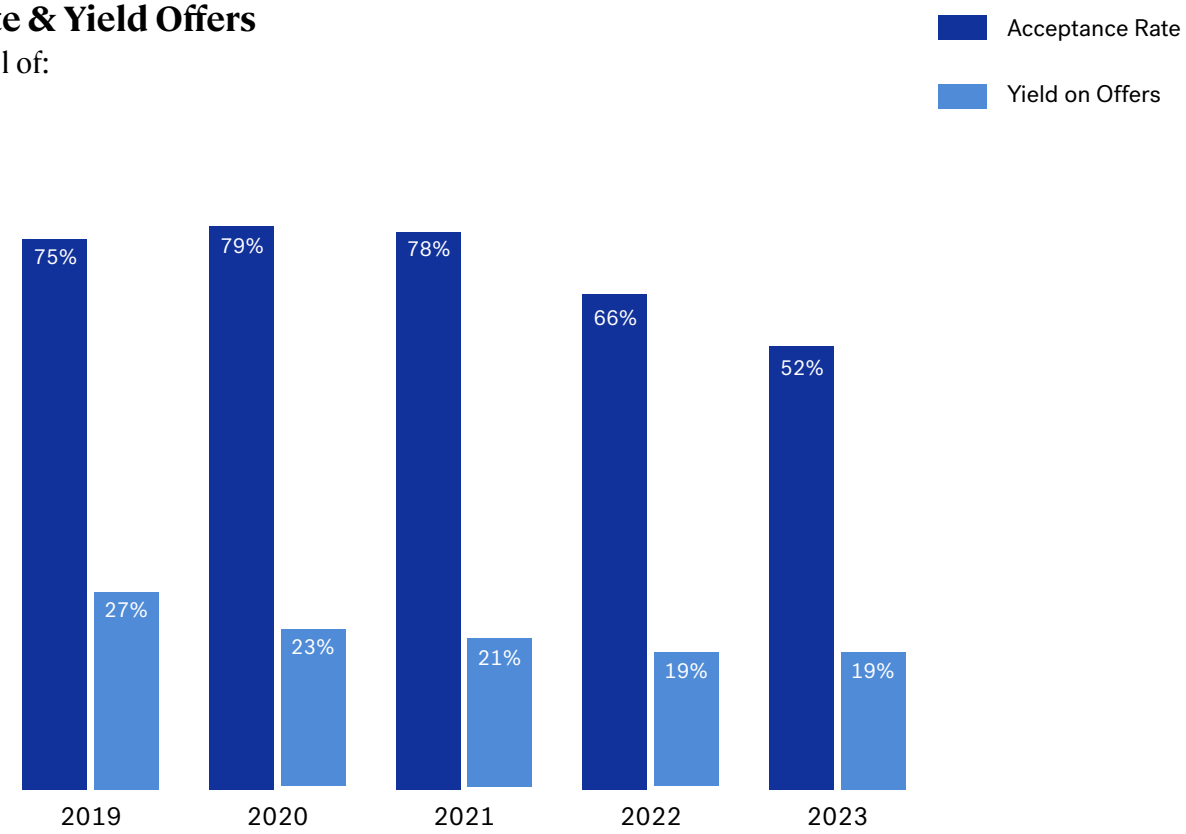
## Freshman to Sophomore Retention Rates

By entrance year, fall of:



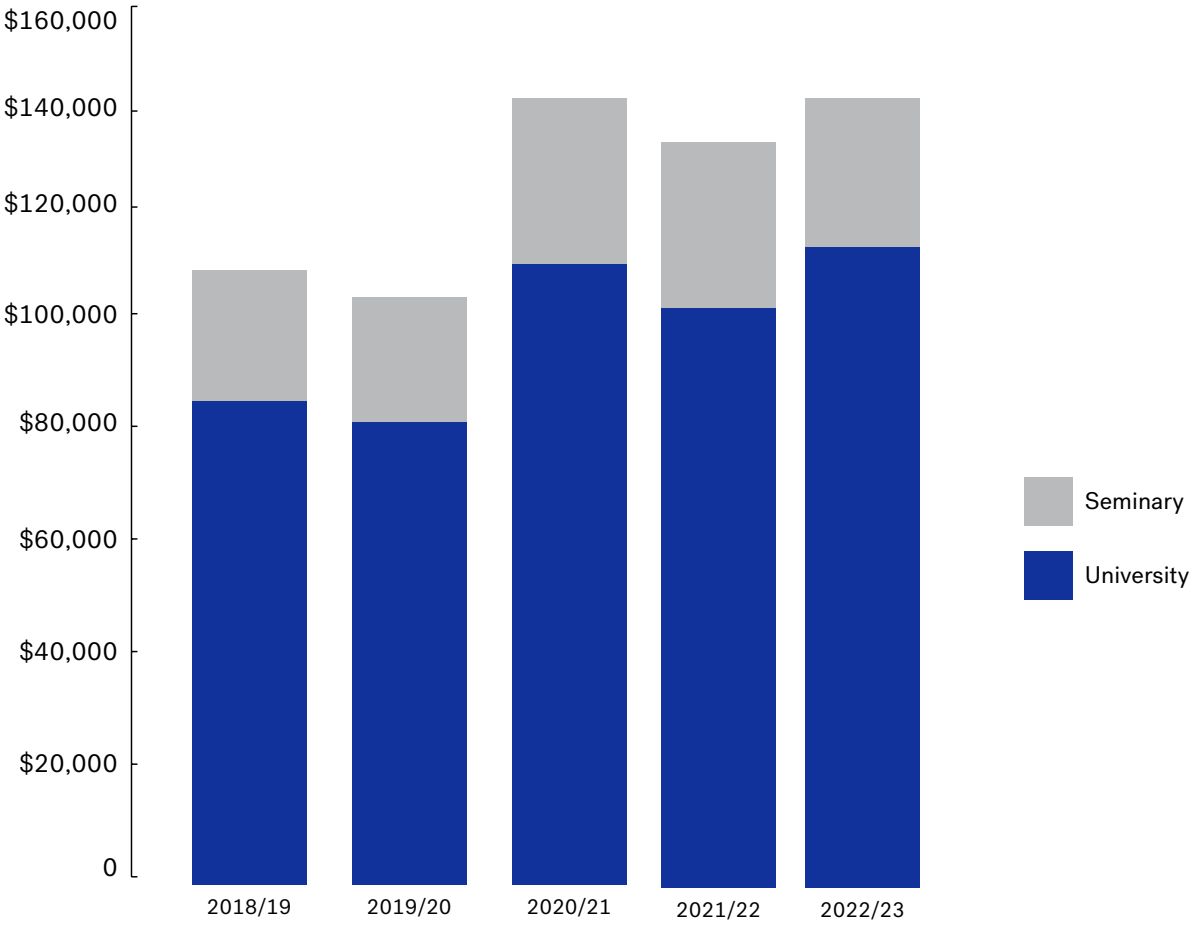

## Acceptance Rate & Yield Offers

By entrance year, fall of:

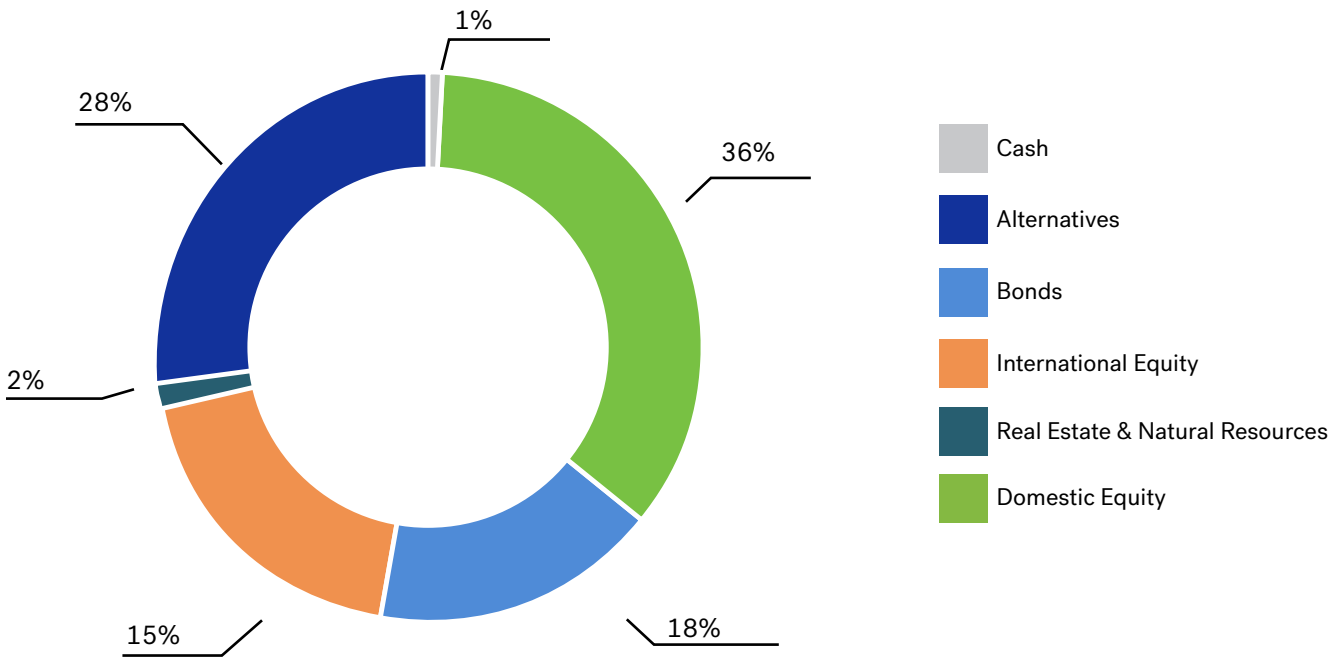


## Endowment Market Values

In thousands

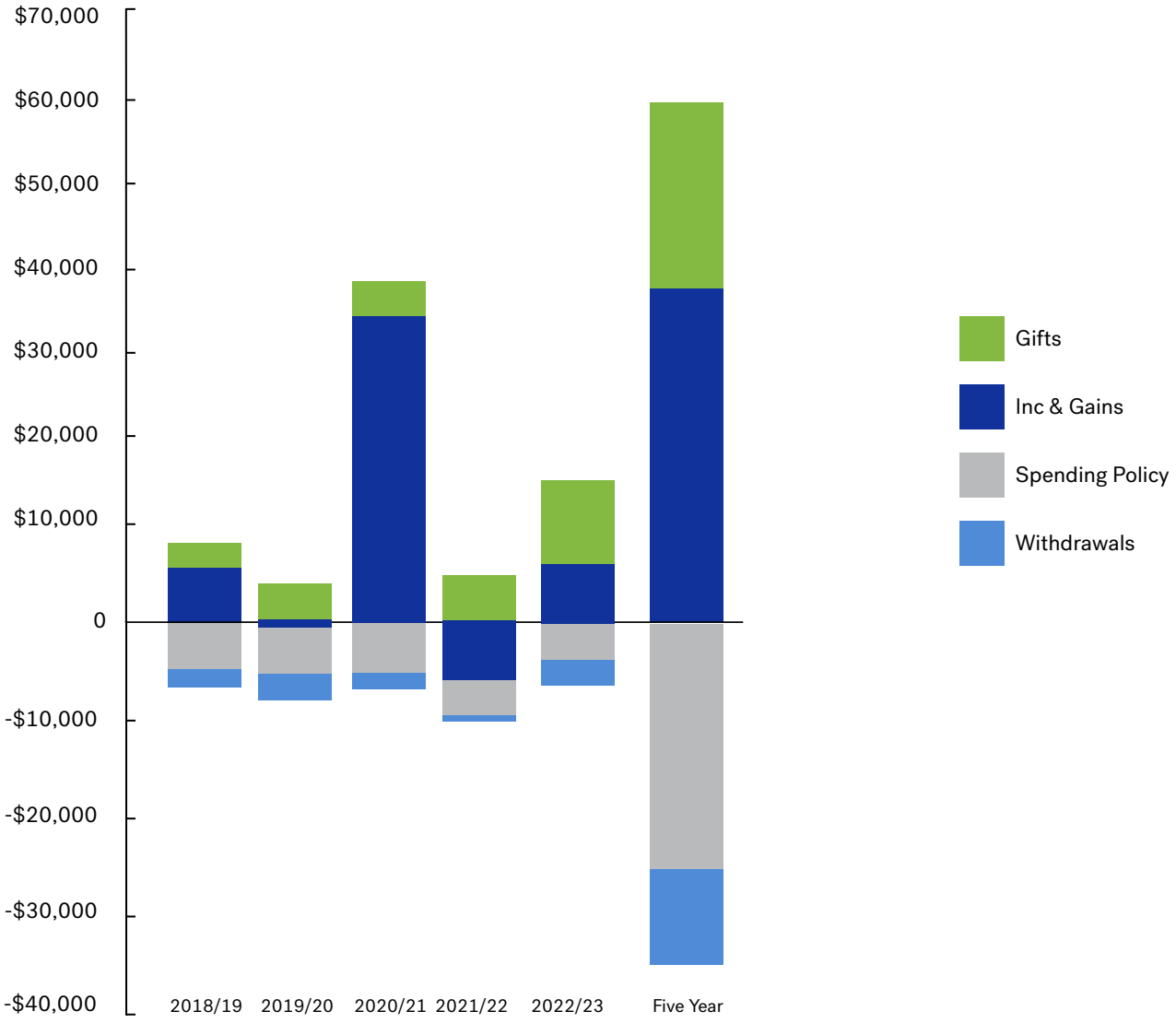



## Investment Allocation for 2022/23



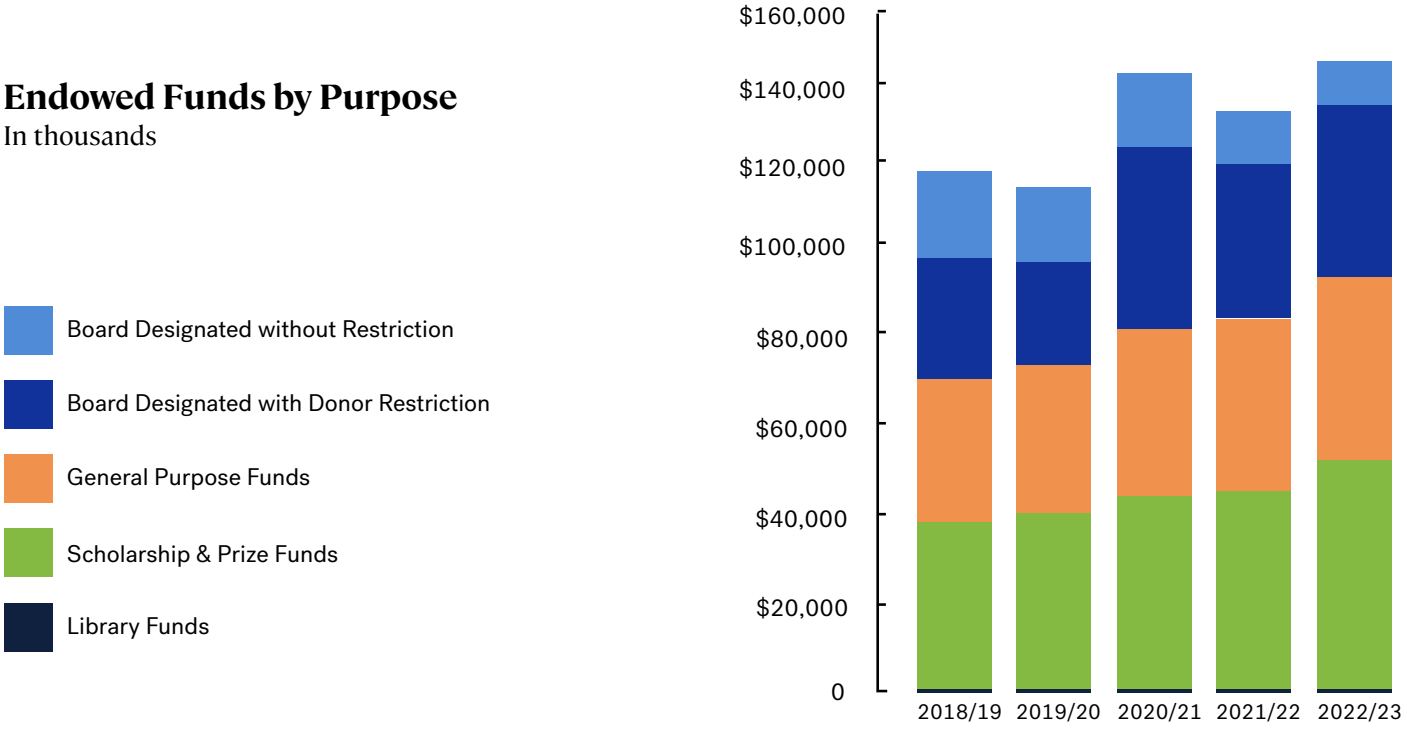
## Components of Change in Endowment

In thousands

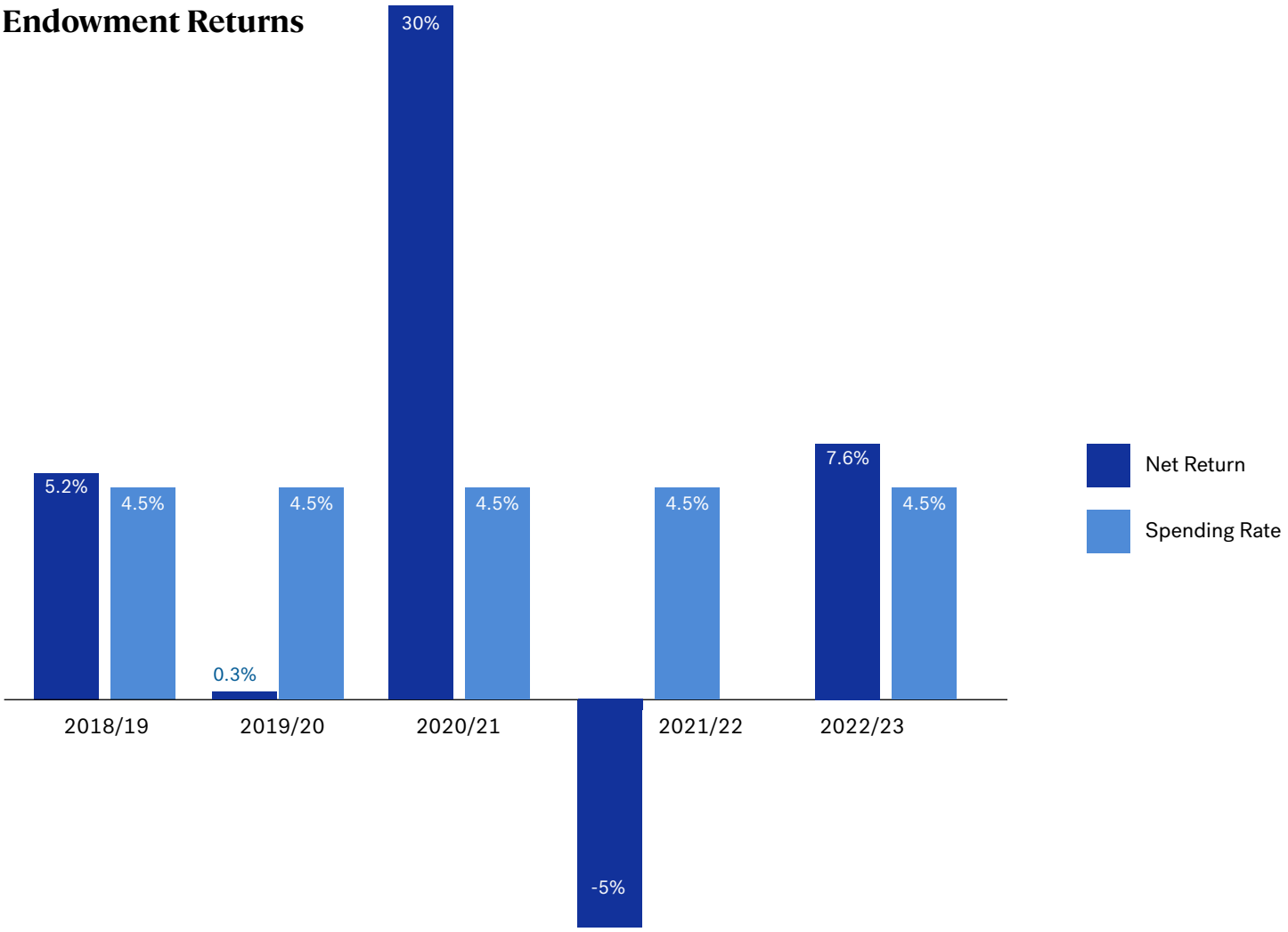



## Endowed Funds by Purpose

In thousands

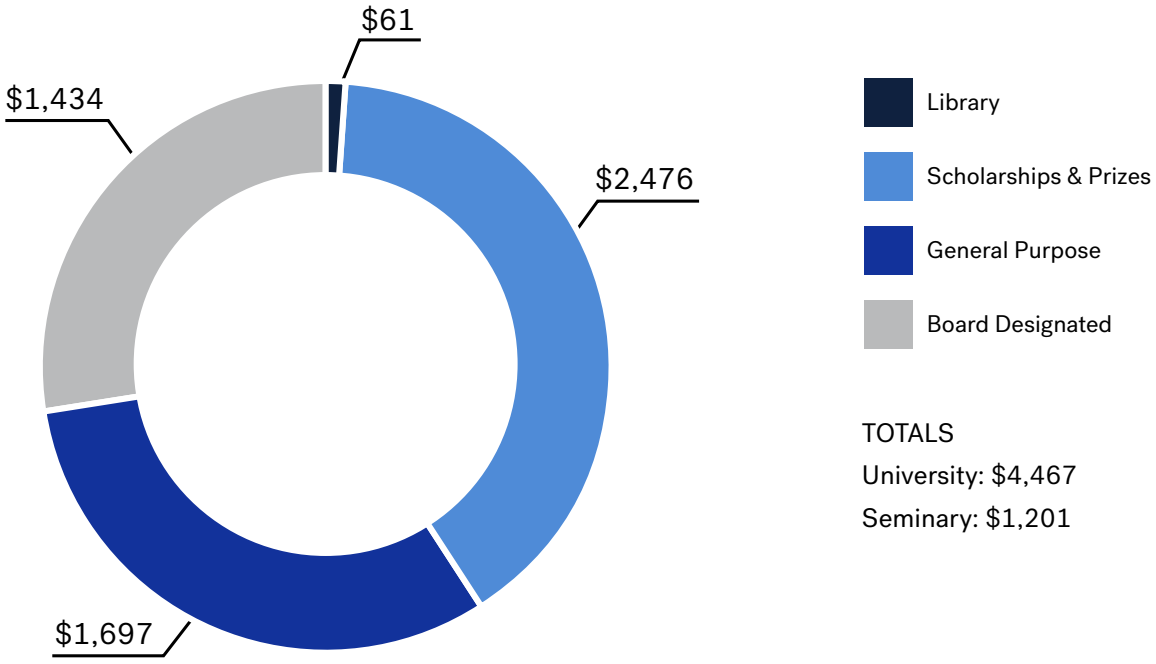


## Endowment Returns




## Spending Policy Distribution by Purpose at 4.5%

In thousands




TOTALS
University: $4,467
Seminary: $1,201

# Moravian University and Subsidiary

Consolidated Financial Statements
and Supplementary Information

June 30, 2023 and 2022

## Moravian University and Subsidiary

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June 30, 2023 and 2022


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# Independent Auditors' Report

To the Board of Trustees of
Moravian University and Subsidiary

## Opinion

We have audited the consolidated financial statements of Moravian University and subsidiary (the University), which comprise the consolidated statements of financial position as of June 30, 2023 and 2022, and the related consolidated statements of activities and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the University as of June 30, 2023 and 2022, and the changes in their net assets and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America (GAAP).

## Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated 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 Consolidated Financial Statements

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

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

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

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

**Supplementary Information**

Our audits were conducted for the purpose of forming an opinion on the consolidated financial statements as a whole. The consolidating schedule of financial position and consolidating schedule of activities, are presented for purposes of additional analysis and are not a required part of the consolidated financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the consolidated financial statements. The information has been subjected to the auditing procedures applied in the audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with GAAS. In our opinion, the information is fairly stated, in all material respects, in relation to the consolidated financial statements as a whole.

Baker Tilly US, LLP

Allentown, Pennsylvania
November 14, 2023

## Moravian University and Subsidiary

Consolidated Statements of Financial Position
June 30, 2023 and 2022
(In Thousands)

| | 2023 | 2022 |
|---|---|---|
| **Assets** | | |
| **Current Assets** | | |
| Cash and cash equivalents | $ 10,501 | $ 14,188 |
| Accounts receivable, net | 3,667 | 3,132 |
| Contributions receivable, net | 3,159 | 3,297 |
| Prepaids and other | 1,758 | 1,637 |
| Deposits with trustee under debt agreements | 538 | 522 |
| Total current assets | 19,623 | 22,776 |
| **Noncurrent Assets** | | |
| Contributions receivable, net | 5,549 | 7,753 |
| Investments | 141,713 | 135,307 |
| Split-interest agreements | 2,690 | 2,531 |
| Student loans receivable, net | 369 | 479 |
| Other noncurrent assets | 1,639 | 1,730 |
| Land, buildings and equipment, net | 142,243 | 144,731 |
| Total noncurrent assets | 294,203 | 292,531 |
| Total assets | $ 313,826 | $ 315,307 |
| **Liabilities and Net Assets** | | |
| **Current Liabilities** | | |
| Long-term debt | $ 3,414 | $ 3,182 |
| Accounts payable | 1,270 | 969 |
| Accrued interest | 617 | 640 |
| Accrued expenses and other liabilities | 3,716 | 4,359 |
| Deferred revenue | 5,629 | 4,730 |
| Finance lease obligations | 1,221 | 1,457 |
| Total current liabilities | 15,867 | 15,337 |
| **Noncurrent Liabilities** | | |
| Annuities payable | 1,431 | 1,544 |
| Long-term debt, net | 67,613 | 71,580 |
| Finance lease obligations | 1,619 | 1,332 |
| Refundable federal grants and loan funds | 218 | 312 |
| Other liabilities | 1,920 | 2,251 |
| Total liabilities | 88,668 | 92,356 |
| **Net Assets** | | |
| Without donor restrictions | 85,700 | 88,127 |
| With donor restrictions | 139,458 | 134,824 |
| Total net assets | 225,158 | 222,951 |
| Total liabilities and net assets | $ 313,826 | $ 315,307 |

*See notes to consolidated financial statements*

## Moravian University and Subsidiary

Consolidated Statements of Activities
Year Ended June 30, 2023 (With Comparative Totals for the Year Ended June 30, 2022)
(In Thousands)

| | Without Donor Restrictions | With Donor Restrictions | 2023 Total | 2022 Total |
|---|---|---|---|---|
| **Operating Revenues and Other Additions** | | | | |
| Tuition and fees (net of student scholarships of $47,968 in 2023 and $46,124 in 2022) | $ 51,312 | $ - | $ 51,312 | $ 49,377 |
| Private gifts and grants | 2,644 | 4,899 | 7,543 | 7,838 |
| Investment income, net | 2,435 | 134 | 2,569 | 1,530 |
| Federal grants and contracts | 846 | - | 846 | 6,143 |
| State grants | 482 | - | 482 | 456 |
| Contributions of nonfinancial assets | 76 | - | 76 | 911 |
| Auxiliary enterprises | 14,212 | - | 14,212 | 13,565 |
| Other sources | 2,134 | - | 2,134 | 1,658 |
| Net assets released from restrictions, satisfaction of program restrictions | 6,847 | (6,847) | - | - |
| Total operating revenues and other additions | 80,988 | (1,814) | 79,174 | 81,478 |
| **Operating Expenses** | | | | |
| Instruction | 38,179 | - | 38,179 | 36,900 |
| Academics support | 5,326 | - | 5,326 | 4,752 |
| Student services | 9,840 | - | 9,840 | 11,515 |
| Athletics | 7,198 | - | 7,198 | 6,632 |
| Institutional support | 10,878 | - | 10,878 | 10,746 |
| Fundraising | 2,573 | - | 2,573 | 2,043 |
| Auxiliary enterprises | 11,562 | - | 11,562 | 10,656 |
| Other | 211 | - | 211 | 262 |
| Total operating expenses | 85,767 | - | 85,767 | 83,506 |
| Change in net assets from operating activities | (4,779) | (1,814) | (6,593) | (2,028) |
| **Nonoperating** | | | | |
| Realized net gain on investments | 880 | 4,579 | 5,459 | 11,372 |
| Unrealized net gain (loss) on investments | 193 | 1,707 | 1,900 | (20,970) |
| (Loss) gain on disposal of assets | (25) | - | (25) | 218 |
| Other gain | 742 | - | 742 | - |
| Gain on interest rate swaps | 562 | - | 562 | 1,417 |
| Change in value of split-interest agreements | - | 162 | 162 | (630) |
| Change in net assets from nonoperating activities | 2,352 | 6,448 | 8,800 | (8,593) |
| Change in net assets | (2,427) | 4,634 | 2,207 | (10,621) |
| **Net Assets, Beginning** | 88,127 | 134,824 | 222,951 | 233,572 |
| **Net Assets, Ending** | $ 85,700 | $ 139,458 | $ 225,158 | $ 222,951 |

*See notes to consolidated financial statements*

## Moravian University and Subsidiary

Consolidated Statement of Activities
Year Ended June 30, 2022
(In Thousands)

| | Without Donor Restriction | With Donor Restriction | Total |
|---|---|---|---|
| **Operating Revenues and Other Additions** | | | |
| Tuition and fees (net of student scholarships of $46,124) | $ 49,377 | $ - | $ 49,377 |
| Private gifts and grants | 2,540 | 5,298 | 7,838 |
| Investment income, net | 1,400 | 130 | 1,530 |
| Federal grants and contracts | 6,143 | - | 6,143 |
| State grants | 456 | - | 456 |
| Contributions of nonfinancial assets | 911 | - | 911 |
| Auxiliary enterprises | 13,565 | - | 13,565 |
| Other sources | 1,658 | - | 1,658 |
| Net assets released from restrictions, satisfaction of program restrictions | 4,067 | (4,067) | - |
| Total operating revenues and other additions | 80,117 | 1,361 | 81,478 |
| **Operating Expenses** | | | |
| Instruction | 36,900 | - | 36,900 |
| Academics support | 4,752 | - | 4,752 |
| Student services | 11,515 | - | 11,515 |
| Athletics | 6,632 | - | 6,632 |
| Institutional support | 10,746 | - | 10,746 |
| Fundraising | 2,043 | - | 2,043 |
| Auxiliary enterprises | 10,656 | - | 10,656 |
| Other | 262 | - | 262 |
| Total operating expenses | 83,506 | - | 83,506 |
| Change in net assets from operating activities | (3,389) | 1,361 | (2,028) |
| **Nonoperating** | | | |
| Realized net gain on investments | 1,872 | 9,500 | 11,372 |
| Unrealized net loss on investments | (3,266) | (17,704) | (20,970) |
| Gain on sale of assets | 218 | - | 218 |
| Gain on interest rate swaps | 1,417 | - | 1,417 |
| Change in value of split-interest agreements | - | (630) | (630) |
| Change in net assets from nonoperating activities | 241 | (8,834) | (8,593) |
| Change in net assets | (3,148) | (7,473) | (10,621) |
| **Net Assets, Beginning** | 91,275 | 142,297 | 233,572 |
| **Net Assets, Ending** | $ 88,127 | $ 134,824 | $ 222,951 |

*See notes to consolidated financial statements*

## Moravian University and Subsidiary

Consolidated Statements of Cash Flows
Years Ended June 30, 2023 and 2022
(In Thousands)

| | 2023 | 2022 |
|---|---|---|
| **Cash Flows From Operating Activities** | | |
| Change in net assets | $ 2,207 | $ (10,621) |
| Adjustments to reconcile change in net assets to net cash provided by operating activities: | | |
| Depreciation, amortization and accretion | 9,997 | 11,106 |
| Change in value of split-interest agreements and annuities payable | (272) | 1,429 |
| Gifts and grants restricted for long-term investments | (2,572) | (2,586) |
| Loss (gain) on disposal of assets | 25 | (218) |
| Other restricted earnings for long-term investments | (134) | (130) |
| Net realized and unrealized loss (gain) on investments | (7,359) | 9,598 |
| Change in value of interest rate swaps | (562) | (1,417) |
| (Increase) decrease in assets: | | |
| Accounts receivable, net | (535) | 206 |
| Contributions receivable, net | 2,342 | (217) |
| Prepaids and other | (121) | (254) |
| Other noncurrent assets | 653 | (730) |
| Increase (decrease) in liabilities: | | |
| Accounts payable and accrued interest payable | 298 | (150) |
| Accrued expenses and other liabilities | (643) | (328) |
| Deferred revenue and deposits | 899 | (358) |
| Other liabilities | (331) | (357) |
| Net cash provided by operating activities | 3,892 | 4,973 |
| **Cash Flows From Investing Activities** | | |
| Purchase of land, building and equipment | (6,137) | (4,830) |
| Proceeds from sale of land, building and equipment | - | 407 |
| Purchase of investments | (25,334) | (24,270) |
| Proceeds from sale of investments | 26,287 | 23,408 |
| Change in deposits with trustees under debt agreements | - | 498 |
| Disbursement of student loans | (52) | (78) |
| Repayments of student loans | 162 | 227 |
| Net cash used in investing activities | (5,074) | (4,638) |
| **Cash Flows From Financing Activities** | | |
| Gifts and grants restricted for long-term investments | 2,572 | 2,586 |
| Other restricted earnings for long-term investments | 134 | 130 |
| Repayment of debt | (3,182) | (21,883) |
| Proceeds from issuance of debt | - | 15,400 |
| Repayment of finance lease, obligations | (1,919) | (1,892) |
| Payment of debt issuance costs | - | (248) |
| Repayment of refundable federal grants and loan funds | (94) | (292) |
| Net cash used in financing activities | (2,489) | (6,199) |
| Net decrease in cash and cash equivalents and restricted cash | (3,671) | (5,864) |
| **Cash and Cash Equivalents and Restricted Cash, Beginning** | 14,710 | 20,574 |
| **Cash and Cash Equivalents and Restricted Cash, Ending** | $ 11,039 | $ 14,710 |
| **Supplementary Disclosure of Cash Flow Information** | | |
| Cash paid for interest | $ 3,927 | $ 3,375 |
| **Supplementary Disclosure of Noncash Activities** | | |
| Land, building and equipment purchases in accounts payable | $ - | $ 20 |
| Land, building and equipment purchases in finance lease obligations | $ 1,970 | $ 1,622 |
| **Reconciliation of Cash and Cash Equivalents and Restricted Cash** | | |
| Cash and cash equivalents | $ 10,501 | $ 14,188 |
| Deposits with trustee under debt agreements | 538 | 522 |
| Total cash and cash equivalents and restricted cash | $ 11,039 | $ 14,710 |

*See notes to consolidated financial statements*

## 1. Nature of Operations

Moravian University is the nation's sixth-oldest university, located in Bethlehem, Pennsylvania, and offers undergraduate and graduate degrees that blend liberal arts with professional programs. For more than 275 years, the Moravian University degree has been preparing students for reflective lives, fulfilling careers, and transformative leadership in a world of change.

Founded in 1742 by the Moravian Church, the University educates a socially and religiously diverse group of students from a variety of ethnic backgrounds. The University has an enrollment of 1,650 full-time undergraduate students. The University Graduate program has an enrollment of 288 full-time students and 445 part-time students. The Doctoral program has an enrollment of 67 full-time students.

Moravian University is a member of The New American Colleges and Universities (NAC&U), a national consortium of selective, small to midsize independent colleges and universities dedicated to the purposeful integration of liberal education, professional studies, and civic engagement.

Moravian Theological Seminary is part of the University and offers theological programs for students from various religious backgrounds. Moravian College Housing, Inc. (MCHI) is a nonprofit corporation organized under the laws of the Commonwealth of Pennsylvania. The purpose of the organization is to develop and operate college student housing. MCHI is a wholly owned subsidiary of the University.

### Agreement to Consolidate with Lancaster Theological Seminary

On June 21, 2021, the Boards of Moravian University, Moravian Theological Seminary and Lancaster Theological Seminary approved a formal Agreement to Consolidate. On July 10, 2021, the Synod of the Northern Province of the Moravian Church convened and voted to support the Agreement to Consolidate. Moravian Theological Seminary and Lancaster Theological Seminary have compatible missions and long histories of providing educational and formational opportunities for students from diverse backgrounds. Both institutions have prepared generations of students to serve the church and the world.

The future consolidation is contingent upon regulatory approvals of the Association of Theological Schools, the Middle States Commission on Higher Education, the U.S. Department of Education (ED), and the Commonwealth of Pennsylvania, which may take several years to complete. As of June 30, 2023, the University does not exhibit a controlling or economic interest in Lancaster Theological Seminary and therefore the results of Lancaster Theological Seminary’s operations are not presented in the consolidated financial statements.

## 2. Summary of Significant Accounting Policies

### Basis of Presentation

The consolidated financial statements of the University have been prepared on the accrual basis of accounting and include the accounts of the University and MCHI (collectively, the University). All significant intercompany transactions and balances have been eliminated in consolidation. These consolidated financial statements present consolidated financial information showing the financial position, the activities and the cash flows of the University. For financial reporting purposes, the University follows the accounting principles generally accepted in the United States (GAAP), which require that resources are classified based on the existence or absence of donor-imposed restrictions. This is accomplished by classification of net assets into two classes of net assets: without donor restrictions and with donor restrictions. Descriptions of the two net asset categories are as follows:

**Without Donor Restrictions** - Net assets that are not subject to donor-imposed stipulations. These may be designated for specific purposes by action of the Board of Trustees.

**With Donor Restrictions** - Net assets whose use by the University is subject to donor-imposed stipulations that can be fulfilled by actions of the University pursuant to those stipulations or that expire by the passage of time are reported as net assets with donor restrictions. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, these net assets with donor restrictions are reclassified to net assets without restrictions and reported in the consolidated statements of activities as net assets released from restriction. Additionally, funds received as gifts and bequests which have been accepted with the donor stipulation that the principal be maintained intact in perpetuity are reported as net assets with donor restrictions.

### Nonoperating Activities

Nonoperating activities reflect realized and unrealized gains and losses on investments, gains associated with the sale of assets, changes in value of split interest agreements (primarily annuity and trust agreements) and change in value of interest rate swaps.

### Revenue Recognition

Tuition and fee revenue is recognized in the fiscal year in which the academic services are delivered. Sales and services of auxiliary enterprises revenue, which consists of room and board and related services, is recognized when the related service is provided. Tuition and fee and auxiliary enterprise contracts are considered to have a duration of less than one year. Spring and Summer I tuition and fees are recognized and rendered within the same fiscal year. Tuition and fees for Summer II are recorded in deferred revenue and recognized as revenue in the following year. A portion of Fall tuition and fees are recorded in deferred revenue and recognized in revenue in the following year. Various rehabilitation science and nursing programs are outside of the traditional semester model. Each of these programs is divided into current year and future year revenue based on the number of weeks in which the course takes place.

Tuition, fees, room and board rates are approved by the Board of Trustees. The transaction price which is determined based on these established and approved rates net of financial aid are recorded as student tuition and fees. Institutional financial aid and discounts provided by the University are reflected as a reduction of tuition and fee revenue. The University awards grants-in-aid and scholarships to individuals who meet the University's academic standards. The amounts of such awards are based upon the financial needs and/or merit of each applicant. Institutional financial aid and discounts provided to students were approximately $47,968,000 and $46,124,000 in 2023 and 2022, respectively.

Amounts are due for tuition, fees, room and board prior to the beginning of each semester. In accordance with the University's refund policies, undergraduate students may receive a full or partial refund up to four weeks after the start of the semester; graduate students may receive a full or partial refund until the close of the first week of classes (drop/add period). Student accounts receivable includes amounts to which the University is unconditionally entitled. The University considers such amounts as unconditional based on the payment due date.

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

| | 2023 | 2022 |
|---|---|---|
| Undergraduate tuition | $ 80,449 | $ 77,654 |
| Graduate tuition | 14,059 | 13,390 |
| Undergraduate and graduate fees | 4,772 | 4,457 |
| Undergraduate and graduate student aid | (47,968) | (46,124) |
| Total student tuition and fees, net | $ 51,312 | $ 49,377 |

The University recognizes gifts when cash, securities or other assets, an unconditional promise to give, or a notification of a beneficial interest is received. Conditional promises to give, that is, those with a measurable performance or other barrier and a right to return, are not recognized until the conditions on which they depend have been substantially met. Gifts specified for the acquisition or construction of long-lived assets are released to net assets without donor restrictions from net assets with donor restrictions when the assets are placed in service.

Unconditional promises to give are recognized at their estimated present value of future cash flows, which approximates fair value. The related revenue is assigned to net assets with donor restrictions until collected and any other restrictions are met, if so restricted by the donor.

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

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

**Higher Education Emergency Relief Funding**

As a response to the coronavirus disease (COVID-19), the U.S. government approved various relief packages including the American Rescue Plan (ARP), to be allotted to the Educational Stabilization Fund through the Higher Education Emergency Relief Fund (HEERF).

Under ARP, the University received one grant comprised of two parts. Under the legislation, no less than 50% of the full grant is to be used for direct emergency aid to students. The remaining portion of the full grant is to be used to defray expenses associated with coronavirus, implement evidence-based practices to monitor and suppress coronavirus, and conduct direct outreach to financial aid applications about the opportunity to receive a financial aid adjustment due to a change in circumstance. The University was awarded approximately $5,407,000 of funding under ARP and recognized $2,705,000 of the student emergency aid as federal grants and contract revenue and student services expense as of June 30, 2022.

The institutional portion of the grant totaling approximately $2,702,000 was recognized as federal grants and contract revenue as of June 30, 2022. The institutional portion was used to offset COVID-related expenses and lost revenue. As restrictions were met in the same period, the grants were reported as changes in net assets without donor restrictions.

### Deferred Revenue and Deposits

Deferred revenue and deposits include payments received prior to the start of the academic term.

The following table depicts activities for deferred revenue related to tuition and fees and room and board.

| | Balance at June 30, 2022 | Refunds Issued | Revenue Recognized Included in June 30, 2022 Balance | Cash Received in Advance of Performance | Balance at June 30, 2023 |
|---|---|---|---|---|---|
| Tuition and fees, net | $ 4,334 | $ - | $ 4,334 | $ 5,119 | $ 5,119 |
| Room and board, net | 396 | 36 | 359 | 510 | 510 |
| Total | $ 4,730 | $ 36 | $ 4,693 | $ 5,629 | $ 5,629 |

### Other Liabilities

Other liabilities include financial commitments by a third-party vendor that is being recognized as revenue over the life of the contract.

### Cash and Cash Equivalents and Restricted Cash

For purposes of the consolidated statements of cash flows, the University considers all highly liquid investments, with an initial maturity of three months or less, to be cash equivalents. Additionally, cash and cash equivalents consist of deposits with trustee under debt agreement and the overfunded portion of the self-insurance reserve, which is recorded within other noncurrent assets.

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

### Accounts Receivable

Accounts receivables are not collateralized. Student accounts receivable are reported at net realizable value. Accounts are written off when they are determined to be uncollectible based upon management's assessment of individual accounts. The allowance for doubtful accounts is estimated based on the University's historical losses and periodic review of individual accounts.

### Student Loans Receivable and Refundable Federal Loan Funds

The student loans receivable represents loans to students funded by advances to the University by the federal government under the federal Perkins and Nursing Student Loan Program (the Programs). In the event that the University ceases to participate in the Programs, the amounts are refundable to the federal government. The federal government's portion of these funds was approximately $218,000 and $312,000 at June 30, 2023 and 2022, respectively, and is recorded as a liability in the consolidated statements of financial position.

The Perkins Loan Program expired on September 30, 2017 and after June 30, 2018 no new loans were permitted. The University is not required to assign the outstanding Perkins Loans to the ED or liquidate their Perkins Loan Revolving Funds due to the wind-down of the Perkins Loan Program; however, the University may choose to liquidate at any time in the future. As of June 30, 2023, the University continues to service the Perkins Loan Program.

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

**Contributions Receivable**

Unconditional promises to give that are expected to be collected in future years are recorded at the present value of estimated future cash flows as contributions receivable. The discounts on those amounts are computed using the expected rate of return of a market participant applicable to the year in which the promise is received. Amortization of the discount is included in contribution revenue. Conditional promises to give are not included as support until the conditions are substantially met.

**Investments**

The University's investments are comprised of a variety of financial instruments and are managed by investment advisors. The fair values reported in the consolidated statements of financial position are exposed to various risks including changes in the equity markets, the interest rate environment and general economic conditions. Due to the level of risk associated with certain investment securities and the level of uncertainty related to changes in the fair value of investment securities, it is reasonably possible that the amounts reported in the accompanying consolidated financial statements could change materially in the near term.

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

**Split-Interest Agreements**

Assets received under split-interest agreements, arrangements in which the University has a beneficial interest but is not the sole beneficiary, are recorded at fair value. Under the terms of certain of these agreements (charitable remainder trusts), the assets are held in trust for the lives of the other income beneficiaries, and upon death, the trusts are terminated, and the remaining assets transferred to the University in accordance with the donor's stated restrictions, if any. Liabilities under split-interest agreements represent the present value of estimated contractual payments calculated on an actuarial basis. These calculations require assumptions to be made as to discount rates as of the date of each gift, consideration of the life expectancies of the other beneficiaries, estimated rate of return on invested assets and other factors. The difference between the fair value of assets received, and liabilities assumed, is recognized as gift revenue. During the term of these agreements, adjustments are made to recognize changes in the value of split-interest agreements resulting from changes in actuarial assumptions.

Gift revenues recognized under split-interest agreements are recorded as increases in net assets with donor restrictions unless the donor has given the University the right to use the assets without restriction. If assets become available for use without donor restrictions upon termination of the agreements, appropriate amounts are reclassified from with donor restrictions to without donor restrictions.

### Land, Buildings and Equipment and Depreciation

Land, buildings and equipment are stated at original cost, based on independent appraisals, or at cost, less accumulated depreciation, computed on a straight-line basis over the estimated useful lives of buildings (40-50 years), land improvements (20 years), equipment and library books (3-10 years), automotive equipment (5 years) and certain computer equipment (3-5 years). Maintenance and repairs are charged to expense as incurred; replacements and betterments are capitalized. All assets with a purchased cost, or fair value if acquired by gift, in excess of $2,000 are capitalized.

Contributed property and equipment is recorded at fair value at the date of donation. The University reports expirations of donor restrictions when the donated long-lived assets are placed in service.

Collection items, such as works of art, are capitalized at cost, if purchased, or at their appraised or fair value, if contributed. Gains or losses from deaccessions of these items are reflected on the consolidated statements of activities as a change in the appropriate net asset class, depending on the existence and type of donor-imposed restriction.

### Leases

The University has entered into finance leases for vehicles, copiers and other equipment. The obligations associated with these leases have been recognized as a liability in the consolidated statements of financial position based on future lease payments, discounted by the implicit borrowing rate.

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

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

### Self-Insurance

The University participates in a health insurance consortium cooperation agreement (Consortium Agreement) and a health plan trust agreement (Trust Agreement). The Consortium Agreement is a self-funded insurance plan to cover medical claims for the employees of the participants in the consortium. Under the terms of the Trust Agreement, a trust account was established to administer the cash receipts, stop/loss premium and medical claim payments. At each year end, the estimated self-insurance liability, which includes an estimate of incurred but not reported claims, based on data compiled from historical experience is calculated. At June 30, 2023 and 2022, payments made to the trust throughout the year, net of all claims paid from the trust exceed the amount of this estimated liability. This overfunding to be used for future payment of premiums is recorded in other noncurrent assets in the consolidated statements of financial position.

### Impairment of Long-Lived Assets

Management of the University reviews long-lived assets (including property and equipment and other assets) for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Management considers the undiscounted cash flow expected to be generated by the use of the asset and its eventual disposition to determine when, and if, an impairment has occurred. An impairment loss is recognized to the extent that the carrying value of assets exceeds their fair value. Any write-downs due to impairment are charged to operations at the time impairment is identified. No such write-downs were required during the years ended June 30, 2023 and 2022.

### Deferred Financing Costs

Costs incurred in connection with debt financing are deferred and amortized over the term of the related debt using the straight-line method, which approximates the interest method. Amortization expense was approximately $47,000 and $171,000 in 2023 and 2022. Deferred financing costs are presented as a reduction in the carrying amount of the debt liability on the consolidated statements of financial position. See Note 8.

### Derivative Financial Instrument

In managing its interest rate exposure, MCHI utilizes interest rate swap arrangements. An interest rate swap is a contractual exchange of interest payments between two parties. A typical interest rate swap involves the payment of a fixed rate times a notional amount by one party in exchange for a floating rate times the same notional amount from another party. To the extent a swap agreement has a positive fair value, indicating that the counterparty to the agreement owes MCHI money, MCHI is exposed to credit risk. The counter party to the MCHI's interest swap agreement is a major financial institution. MCHI recognizes the interest rate swap agreements at fair value and records changes in fair value in nonoperating activities in the consolidated statements of activities.

### Government Grants and Student Aid

The amounts under these captions do not include amounts remitted to students under the Pennsylvania Higher Education Assistance Agency (PHEAA), the PELL Grants Program and other federal and state programs. The grants are similar to agency funds since the University acts only as custodian and disbursing agent for these funds. Had these amounts been included, revenues and expenditures would have increased by approximately $5,579,000 and $4,894,000 in 2023 and 2022, respectively.

### Advertising

The University expensed advertising costs of approximately $898,500 and $1,187,000 during the fiscal years ended June 30, 2023 and 2022, respectively.

### Income Taxes

The University and MCHI qualify as tax-exempt, nonprofit organizations under Section 501(c)(3) of the Internal Revenue Code. Accordingly, there is no provision for federal or state income taxes.

The University accounts for uncertainties in income taxes in accordance with authoritative guidance, which prescribes a recognition threshold of more-likely-than-not to be sustained upon examination by the appropriate taxing authority. Measurement of the tax uncertainty occurs if the recognition threshold has been met. Management determined that there were no tax uncertainties that met the recognition threshold at June 30, 2023 and 2022.

### 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 the 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.

### Subsequent Events

Subsequent events were evaluated through November 14, 2023, the date the consolidated financial statements were issued.

**New Accounting Standards Not Yet Adopted**

In June 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-13, *Measurement of Credit Losses on Financial Instruments*. ASU No. 2016-13 requires financial assets measured at amortized cost to be presented at the net amount expected to be collected, through an allowance for credit losses that is deducted from the amortized cost basis. The measurement of expected credit losses is based on relevant information about past events, including historical experience, current conditions, and reasonable and supportable forecasts that affect the collectability of the reported amount. ASU No. 2016-13 is effective for the University in fiscal 2024. The University is currently assessing the effect that ASU No. 2016-13 will have on its consolidated net assets, financial position and cash flows.

During March 2020, the FASB issued ASU No. 2020-04, *Facilitation of the Effects of Reference Rate Reform on Financial Reporting*. ASU No. 2020-04 provides optional expedients and exceptions for applying GAAP to contracts, hedging relationships, and other transactions that reference LIBOR or another reference rate expected to be discontinued because of reference rate reform, if certain criteria are met. Entities may elect the optional expedients and exceptions included in ASU No. 2020-04 as of March 12, 2020 and through December 31, 2022. During December 2022, the FASB issued ASU No. 2022-06, "*Reference Rate Reform (Topic 848): Deferral of the Sunset Date of Topic 848.*" These amendments defer the sunset date of Topic 848 from December 31, 2022 to December 31, 2024. The University is currently assessing the effect that ASU No. 2020-04 will have on its consolidated financial statements.

## 3. Accounts Receivable

Accounts receivable represents amounts due for tuition, fees, room and board and other charges from students and other entities. The University extends unsecured credit to students and other entities in connection with studies and various activities. Some students are no longer enrolled or have completed their degrees. Accounts receivable consists of the following at June 30:

| | 2023 | 2022 |
|---|---|---|
| Accounts receivable | $ 4,167 | $ 3,633 |
| Allowance for doubtful accounts | (500) | (501) |
| | $ 3,667 | $ 3,132 |

## 4. Contributions Receivable

Contributions receivable consisted of the following at June 30:

| | 2023 | 2022 |
|---|---|---|
| Due in one year or less | $ 3,159 | $ 3,297 |
| Due between one year and five years | 5,995 | 8,222 |
| Contributions receivable, gross | 9,154 | 11,519 |
| Unamortized present value discount (rates ranging from 0.4 to 5.2%) | (446) | (469) |
| Contributions receivable, net | $ 8,708 | $ 11,050 |

Management has not established an allowance for doubtful collections at June 30, 2023 and 2022 based upon information currently known. However, events impacting donors can occur in subsequent years that may cause a material change in the allowance for doubtful collections.

## 5. Fair Value Measurements, Investments and Other Financial Instruments

The University measures its deposits with trustees, investments, beneficial interest in perpetual trusts and split interest agreements at fair value on a recurring basis in accordance with accounting principles generally accepted in the United States of America. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The framework that the authoritative guidance established for measuring fair value includes a hierarchy used to classify the inputs used in measuring fair value. The hierarchy prioritizes the inputs used in determining valuations into three levels. The level in the fair value hierarchy within which the fair value measurement falls is determined based on the lowest level input that is significant to the fair value measurement. The levels of the fair value hierarchy are as follows:

Level 1 - Fair value is based on unadjusted quoted prices in active markets that are accessible to the University for identical assets or liabilities. These generally provide the most reliable evidence and are used to measure fair value whenever available.

Level 2 - Fair value is based on significant inputs, other than Level 1 inputs, that are observable either directly or indirectly for substantially the same term of the asset or liability through corroboration with observable market data. Level 2 inputs include quoted market prices in active markets for similar assets, quoted market prices in markets that are not active for identical or similar assets and other observable inputs.

Level 3 - Fair value is based on significant unobservable inputs. Examples of valuation methodologies that would result in Level 3 classification include option pricing models, discounted cash flows and other similar techniques.

The following tables present the financial instruments measured at fair value as of June 30, 2023 and 2022 by caption on the consolidated statements of financial position by the valuation hierarchy defined above:

| | 2023 | | | |
|---|---|---|---|---|
| | Level 1 | Level 2 | Level 3 | Total Fair Value |
| **Assets Reported at Fair Value** | | | | |
| Investments: | | | | |
| Cash and money market accounts | $ 2,056 | $ - | $ - | $ 2,056 |
| Domestic equity: | | | | |
| Common stock | 4,217 | - | - | 4,217 |
| Large cap mutual funds | 45,684 | - | - | 45,684 |
| International equity mutual funds | 23,043 | - | - | 23,043 |
| Domestic fixed income: | | | | |
| Taxable fixed income mutual funds | 25,038 | - | - | 25,038 |
| Total investments by valuation hierarchy | 100,038 | - | - | 100,038 |
| Alternative investments (measured at net asset value) | | | | 41,675 |
| Total investments | | | | 141,713 |
| Deposits with trustee under debt agreements: | | | | |
| Cash and cash equivalents | 538 | - | - | 538 |
| Beneficial interest in perpetual trusts | - | - | 2,324 | 2,324 |
| Split-interest agreements | - | - | 366 | 366 |
| Interest rate swaps | - | 580 | - | 580 |
| Total assets | $ 100,576 | $ 580 | $ 2,690 | $ 103,846 |

| | 2022 | | | |
|---|---|---|---|---|
| | Level 1 | Level 2 | Level 3 | Total Fair Value |
| **Assets Reported at Fair Value** | | | | |
| Investments: | | | | |
| Cash and money market accounts | $ 2,912 | $ - | $ - | $ 2,912 |
| Domestic equity: | | | | |
| Common stock | 3,411 | - | - | 3,411 |
| Large cap mutual funds | 36,777 | - | - | 36,777 |
| International equity mutual funds | 21,368 | - | - | 21,368 |
| Domestic fixed income: | | | | |
| Taxable fixed income mutual funds | 25,301 | - | - | 25,301 |
| Total investments by valuation hierarchy | 89,769 | - | - | 89,769 |
| Alternative investments (measured at net asset value) | | | | 45,538 |
| Total investments | | | | 135,307 |
| Deposits with trustee under debt agreements: | | | | |
| Cash and cash equivalents | 522 | - | - | 522 |
| Beneficial interest in perpetual trusts | - | - | 2,204 | 2,204 |
| Split-interest agreements | - | - | 327 | 327 |
| Interest rate swaps | - | 19 | - | 19 |
| Total assets | $ 90,291 | $ 19 | $ 2,531 | $ 92,841 |

The following methods and assumptions were used to estimate fair values of the University's financial instruments as of June 30, 2023 and 2022:

**Cash, Cash Equivalents and Money Market Accounts**

The carrying amounts are reasonable estimates for their fair values due to the short-term nature of these financial instruments. These are considered Level 1 measurements due to their liquidity.

**Investments**

The fair value of common stocks and mutual funds was based on quoted market prices for the identical securities, which are considered Level 1 inputs.

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

**Beneficial Interest in Perpetual Trusts and Split-Interest Agreements**

Beneficial interest in perpetual trusts and split-interest agreements are measured at fair value using the University's percentage of the earnings of the underlying trust assets applied to the fair value of the underlying assets. This is considered a Level 3 measurement because even though the measurement is based on the underlying fair value of the trust assets as reported by the trustee, the University will never receive those assets or have the ability to direct the trustee to redeem them. There were no transfers or purchases during the year.

**Interest Rate Swaps**

Interest rate swaps are classified as Level 2 as the fair value is based on observable inputs to a valuation model (interest rates, credit spreads, etc.) which take into account the present value of the estimated future cash flows and credit valuation adjustments.

**Alternative Investments**

Alternative investments are funds and partnerships that invest in a variety of strategies including hedge funds, private equity, real estate and multi-strategy equities. These are generally illiquid investments, pooled and professionally managed with the goal of generating high returns.

The Hedge Funds category includes investments in several funds. These funds allocate their assets to hedge fund managers that specialize in a wide range of alternative investment strategies. The funds offer the University exposure to a broad range of hedge fund strategies including long/short, global macro, emerging markets, event-driven, distressed credit, multi-strategy and emerging markets. The hedge funds in this category have redemption frequencies that include monthly, quarterly or semi-annual redemption requirements.

The Private Equity Funds category includes investments in several funds. These funds invest in a variety of private equity partnerships and other private equity investments. Investments include leveraged buyouts, growth equity, venture capital, mezzanine debt, real estate, distressed debt and funds of funds as well as portfolios of direct and co-investments.

The Real Asset Funds category includes investments in several funds. Two of the funds in this category invest in various types of real estate, including retail, hotel, office, apartment, industrial and storage property throughout the United States, Mexico and Canada. A few other funds in this category invest in a select group of investment funds in the natural resource sector with an emphasis on crude oil and natural gas production and timberland, but with exposure to funds investing in farmland and metals and minerals as well.

Fair value measurements of investments in certain entities that calculate NAV per share (or its equivalent) as of June 30, 2023 and 2022 are as follows:

| | Fair Value at NAV | Unfunded Commitments | Redemption Frequency | Redemption Notice Period |
|---|---|---|---|---|
| Hedge funds | $ 20,000 | $ - | Various | 35 - 65 days |
| Private equity funds | 20,975 | 13,770 | Illiquid | |
| Real asset funds | 700 | 174 | Illiquid | |
| Balance at June 30, 2023 | $ 41,675 | $ 13,944 | | |
| Hedge funds | $ 21,933 | $ - | Various | 35 - 65 days |
| Private equity funds | 22,701 | 9,480 | Illiquid | |
| Real asset funds | 904 | 174 | Illiquid | |
| Balance at June 30, 2022 | $ 45,538 | $ 9,654 | | |

**Investments**

The majority of endowment and annuity funds are combined in investment pools with each individual account subscribing to or disposing of shares on the basis of the market value per share. The investment objective is to maximize long-term total return through a combination of income and capital appreciation in a manner consistent with sound investment practices. Total investments at June 30 were as follows:

| | 2023 | 2022 |
|---|---|---|
| Endowment funds | $ 138,678 | $ 133,087 |
| Annuity funds | 1,470 | 1,511 |
| Capital campaign funds | 1,562 | 706 |
| Other funds | 3 | 3 |
| | $ 141,713 | $ 135,307 |

The University has a formal investment policy that provides a portion of investment return for operating purposes. The Board of Trustees sets the level of distribution within the limitation imposed by Pennsylvania statute.

The University's principal financial instruments subject to credit risk are its investments. The investments are managed by professional advisors subject to the University's investment policy. The degree and concentration of credit risk varies by type of investment.

## 6. Land, Buildings and Equipment, Net

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

| | 2023 | 2022 |
|---|---|---|
| Land and land improvements | $ 26,686 | $ 26,092 |
| Buildings | 188,164 | 186,435 |
| Equipment | 55,466 | 52,598 |
| Library books | 9,983 | 9,936 |
| Collection items | 4,960 | 4,866 |
| Construction in progress | 3,059 | 1,196 |
| | 288,318 | 281,123 |
| Accumulated depreciation | (146,075) | (136,392) |
| | $ 142,243 | $ 144,731 |

Depreciation expense was approximately $10,550,000 and $10,538,000 in 2023 and 2022, in which MCHI depreciation expense accounted for approximately $569,000 and $564,000 of the total, respectively.

The following amounts are included in land, buildings and equipment related to finance lease obligations at June 30:

| | 2023 | 2022 |
|---|---|---|
| Equipment | $ 13,779 | $ 11,814 |
| Accumulated amortization | (10,068) | (8,514) |
| Total | $ 3,711 | $ 3,300 |

Amortization expense related to the equipment under finance leases is included in depreciation expense and was approximately $1,553,000 in 2023 and $1,555,000 in 2022.

## 7. Note Payable, Demand/Subsequent Event

The University had a $1,000,000 secured line of credit, which is renewable June 28 of each year. There were no borrowings at June 30, 2023 and 2022 and the $1,000,000 secured line of credit was not renewed in June 2023. In September and October 2023, the University secured additional lines of credit totaling $7,000,000. The University has a $2,000,000 revolving line of credit. Borrowings bear interest, payable monthly at the Daily Simple Secured Overnight Financing Rate (SOFR), subject to a floor of 0.15%, plus 1.50%. The University also has a $5,000,000 secured line of credit, renewable October 1 of each year. Borrowings bear interest, payable monthly at the Daily Simple SOFR, plus 1.50%.

## 8. Long-Term Debt

Long-term debt of the University consisted of the following at June 30:

| | 2023 | 2022 |
|---|---|---|
| University Revenue Bonds of 2013 (issued through Northampton County General Purpose Authority), with principal due annually in amounts through October 2042 plus interest payable semi-annually and rates ranging from 1.60% to 4.125%. | $ 7,700 | $ 7,955 |
| University Revenue Bonds of 2016 (issued through Northampton County General Purpose Authority), with principal due annually in amounts through October 2045 plus interest payable semi-annually and rates ranging from 2.125% to 5.00%. | 24,745 | 25,510 |
| Note payable, due in annual principal repayments through July 2034 and interest payable semi-annually at 3.65% through July 2025, then at SOFR plus 1.82% thereafter. | 4,346 | 4,653 |
| Note payable, due in monthly principal repayments through July 2040, with interest payable monthly at 4.43% through May 2028, then at LIBOR plus 1.5% thereafter and subject to a maximum rate of 8.0%. | 2,131 | 2,212 |
| MCHI Revenue Note of 2017 (issued through Northampton County Industrial Development Authority), with principal payments due monthly through January 2038 plus interest payable monthly at 68% of SOFR plus 1.47% (4.93% at June 30, 2023). | 15,240 | 15,962 |
| University Revenue Bonds of 2021 (issued through the Redevelopment Authority of the City of Bethlehem), with principal due annually in amounts through October 2038 plus interest payable semi-annually and rates ranging from 4.0% to 5.0%. | 4,620 | 4,805 |
| University Revenue Bonds of 2022 (issued through the Redevelopment Authority of the City of Bethlehem), with principal due annually in amounts through October 2031 plus interest payable semi-annually at 5.0%. | 9,730 | 10,595 |
| | 68,512 | 71,692 |
| Less deferred financing costs | (610) | (657) |
| Less current portion | (3,414) | (3,182) |
| Unamortized premium | 3,125 | 3,727 |
| | $ 67,613 | $ 71,580 |

The indentures of the University Revenue Bonds, 2013, 2016 and all notes payable, except for the MCHI Revenue note, require the University to pledge as collateral its unrestricted gross revenues not previously pledged.

The MCHI Revenue Note of 2017 requires that MCHI maintain a capital replacement reserve account in accordance with the revenue bond document.

The HILL dormitory is the only pledged asset of the MCHI Revenue Note of 2017; thus the debt is separate from the obligated group of the University.

Principal repayments of long-term debt for the years ending June 30 are as follows:

| | | |
|---|---|---|
| 2024 | $ | 3,414 |
| 2025 | | 3,516 |
| 2026 | | 3,644 |
| 2027 | | 3,803 |
| 2028 | | 3,941 |
| Thereafter | | 50,194 |
| | $ | 68,512 |

All University debt was used to finance capital expenditures. Interest expense, net of amounts capitalized, related to long-term debt was approximately $2,378,000 and $2,744,000 in 2023 and 2022, respectively, and included in the consolidated statements of activities. Included in the total interest expense was approximately $508,000 and $531,000 related to MCHI, in 2023 and 2022, respectively. MCHI amortization expense of approximately $144,000 in 2023 and 2022 is included in auxiliary expenses.

## 9. Leases

The University has entered into the following lease arrangements:

*Finance leases:* the University leases computers, vehicles and other equipment under agreements classified as finance leases. The finance lease terms generally have initial lease terms of four to five years. Certain leases include an option to purchase the leased assets. The University assesses the likelihood of exercising the purchase option using a “reasonably certain” threshold, which is understood to be a high threshold and, therefore, purchase options are generally accounted for when a compelling economic reason to exercise the option exists.

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

The University uses the implicit interest rate, for collateralized borrowing, based on information available at the commencement date in determining the present value of lease payments.

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

Minimum future lease payments for finance leases are as follows:

| | | |
|---|---|---|
| Years ending June 30: | | |
| 2024 | $ | 1,316 |
| 2025 | | 1,012 |
| 2026 | | 507 |
| 2027 | | 132 |
| 2028 | | 19 |
| Total | | 2,986 |
| Less amount representing interest | | (146) |
| Present value of net minimum lease payments | $ | 2,840 |

Total lease costs are comprised of the following in 2023 and 2022:

| | 2023 | 2022 |
|---|---|---|
| Lease cost: | | |
| Finance lease cost: | | |
| Amortization of right-of-use assets | $ 1,553 | $ 1,555 |
| Interest on lease liabilities | 82 | 97 |
| Short-term lease cost | 102 | 85 |
| Total lease cost | $ 1,737 | $ 1,737 |
| Other information: | | |
| Cash paid for amounts included in the measurement of lease liabilities: | | |
| Operating cash flows from finance leases | $ 82 | $ 97 |
| Financing cash flows from finance leases | 1,908 | 1,892 |
| Right-of-use assets obtained in exchange for new: | | |
| Finance lease liabilities | 1,970 | 1,622 |
| Weighted-average remaining lease term: | | |
| Finance leases | 1.2 years | 1.51 years |
| Weighted-average discount rate: | | |
| Finance leases | 4.6% | 2.6% |

## 10. Contributed Nonfinancial Assets

Contributed nonfinancial assets recognized within the consolidated statements of activities included at June 30:

| | 2023 | 2022 |
|---|---|---|
| Building | $ - | $ 831 |
| Artwork and collections | 23 | 55 |
| Other | 53 | 25 |
| Total | $ 76 | $ 911 |

The University recognized contributed nonfinancial assets within revenue. It is the University's policy to evaluate contributed nonfinancial assets as they are received, in determining whether the University will utilize in operations or monetize. Unless otherwise noted, contributed nonfinancial assets did not have donor-imposed restrictions.

Contributions of nonfinancial assets in 2023 include contributed clothing, food, household goods and services, Contributions of nonfinancial assets in 2022 include contributed clothing, food, household goods, services and a building. The contributed building was sold in 2023 and a gain of approximately $742,000 was recognized in the consolidated statements of activities.

Contributed services include videography services, printing services and donated gift cards. Contributed food, clothing and gift cards were utilized at fundraising events. The University estimated the fair value based on estimates of values that would be received for similar products. Contributed services are valued and are reported at the estimated fair value in the consolidated financial statements based on current rates for similar services.

Contributed artwork and collections were used for academic programming and added to the University's collections of artwork and library books. Contributed artwork and collections are valued using independent appraisals.

## 11. Interest Rate Swap Agreements

MCHI executed two interest rate swap agreements on May 31, 2017. The current swap agreements require MCHI to make 3.26% fixed interest payments and receive variable interest rate payments from its counter party based on one-month SOFR plus a spread of 147 basis points. The notional amount outstanding on the combined total was $15,240,000 and $15,962,000 at June 30, 2023 and 2022, respectively. The variable rates were 68% of one-month SOFR and the combined fair value of the swap instruments were approximately $580,000 and $18,000 and included in other assets at June 30, 2023 and 2022, respectively. The swap agreements terminate on April 1, 2032.

## 12. Employee Benefit Plan

The University participates in a defined contribution retirement plan covering substantially all regular full-time employees. Retirement expense was approximately $2,184,000 and $2,139,000 in 2023 and 2022, respectively.

## 13. Net Assets

Net assets without donor restrictions result from contributions and other inflows of assets whose use by the University is not limited by donor-imposed stipulations.

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

| | 2023 | 2022 |
|---|---|---|
| Plant facilities | $ 66,694 | $ 65,147 |
| Board-designated endowment | 21,495 | 21,014 |
| Other | (2,489) | 1,966 |
| Total net assets without donor restrictions | $ 85,700 | $ 88,127 |

Net assets with donor restrictions result from contributions and other inflows of assets whose use by the University is limited by donor-imposed stipulations that expire by the passage of time or can be fulfilled and removed by actions of the University pursuant to those stipulations. Donor-imposed stipulations may also require that assets be maintained permanently by the University.

Net assets with donor restrictions consist of the following at June 30:

| | 2023 | 2022 |
|---|---|---|
| Assets held in perpetuity | $ 79,119 | $ 76,561 |
| Accumulated endowment income | 37,820 | 35,242 |
| Time and purpose restrictions | 19,882 | 20,544 |
| Net assets held to split interest agreements | 2,637 | 2,477 |
| Total net assets with donor restrictions | $ 139,458 | $ 134,824 |

## 14. Endowment

The University's endowment consists of individual funds established for a variety of purposes. It includes both donor-restricted endowment funds and funds designated by the Board of Trustees to function as endowments. Net assets associated with endowment funds 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 developed a policy requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent any 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 permanent endowment, (b) the original value of subsequent gifts to the permanent endowment and (c) accumulations, including income and gains, 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. Board-designated investment funds are balances functioning as an endowment that are established by the institution from either donor or institutional monies and are usually to be retained and invested rather than expended. Since board designated investment funds are established by the institution rather than an external source, the principal may be expended, as directed by the Board of Trustees.

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 appreciation of investments.
6. The investment policies of the University.

Net asset classification by type of endowment as of June 30, 2023:

| | Board Designated | With Donor Restrictions | Total |
|---|---|---|---|
| Endowment net assets, beginning of year | $ 21,014 | $ 111,803 | $ 132,817 |
| Investment return: | | | |
| Investment income | 326 | 1,689 | 2,015 |
| Net appreciation (realized and unrealized gains) | 1,073 | 5,627 | 6,700 |
| Total investment return | 1,399 | 7,316 | 8,715 |
| Contributions | - | 2,572 | 2,572 |
| Appropriation of endowment assets for expenditure | (918) | (4,752) | (5,670) |
| Endowment net assets, end of year | $ 21,495 | $ 116,939 | $ 138,434 |

Net asset classification by type of endowment as of June 30, 2022:

| | Board Designated | With Donor Restrictions | Total |
|---|---|---|---|
| Endowment net assets, beginning of year | $ 23,044 | $ 119,680 | $ 142,724 |
| Investment return: | | | |
| Investment income | 220 | 1,113 | 1,333 |
| Net depreciation (realized and unrealized losses) | (1,394) | (7,237) | (8,631) |
| Total investment return | (1,174) | (6,124) | (7,298) |
| Contributions | 2 | 2,586 | 2,588 |
| Appropriation of endowment assets for expenditure | (858) | (4,339) | (5,197) |
| Endowment net assets, end of year | $ 21,014 | $ 111,803 | $ 132,817 |

**Funds With Deficiencies**

The fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or the relevant state law requires the University to retain as a fund of perpetual duration. There were no such deficiencies reported at June 30, 2023 or 2022.

**Return Objectives and Risk Parameters**

The University has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowments while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the University must hold in perpetuity or for a donor-specified period 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 spending policy rate plus the expected inflation rate. The University expects its endowment fund, over time, to provide an average rate of return of approximately 7.0% annually. Actual returns in any given year may vary from this amount.

**Strategies Employed for Achieving 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.

**Endowment Spending Policy and How the Investment Objectives Relate to the Spending Policy**

The University has a total return policy of appropriating for distribution each year a percentage of its endowment fund's average fair value over the past twelve calendar quarters. This percentage was 4.5% for both 2023 and 2022. If the spending policy distribution amount exceeds the actual earnings of the endowment funds in any one year, then the amount needed to fund such excess will be taken from accumulated excess earnings and net capital gains from prior years. Conversely, any undistributed income after the allocation of the spending policy distribution is added back to net assets with donor restriction. In establishing this policy, the University considered the long-term expected return on its endowment. Accordingly, over the long-term, the University expects to allow its endowment to return an average rate of 7.0% annually prior to any distributions (spending policy). This is consistent with the University's objective to maintain the purchasing power of the endowment assets held in perpetuity or for a specified term as well as to provide additional real growth through new gifts and investment return.

## 15. Contingencies and Commitments

In connection with several ongoing projects on campus, the University has commitments to several vendors totaling approximately $4,724,000 and $2,232,000 as of June 30, 2023 and 2022, respectively. The University is using operating cash to fund these projects.

Amounts received and expended by the University under various federal and state programs (principally related to student financial aid) are subject to audit by governmental agencies. In the opinion of management, audit adjustments, if any, will not have a significant effect on the consolidated statements of financial position or results of activities of the University.

The University owns several buildings constructed prior to the passage of the Clean Air Act that contain encapsulated asbestos material. Current law requires that this asbestos be removed in an environmentally safe manner prior to demolition or renovation of the buildings. The University has not recognized the asset retirement obligation for asbestos removal in its consolidated financial statements because it currently has no plans to demolish or renovate these buildings and, as such, cannot reasonably estimate the fair value of the obligation. If plans change with respect to the use of the buildings and sufficient information becomes available to estimate the liability, it will be recognized at that time.

## 16. Liquidity and Availability of Resources

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

| | 2023 | 2022 |
|---|---|---|
| Cash and cash equivalents (net of cash restricted for capital improvements and balance requirements) | $ 9,620 | $ 13,313 |
| Accounts receivable, net | 3,667 | 3,132 |
| Planned appropriation of endowment | 5,860 | 5,633 |
| Financial assets available to meet cash needs for general expenditures within one year | $ 19,147 | $ 22,078 |

As part of the University's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities and other obligations come due. In the event of an unanticipated liquidity-need, the University could draw upon $7,000,000 from available lines of credit. In addition, the University has a board-designated endowment of approximately $21,495,000. Although the University does not intend to spend from its board-designated endowment other than amounts appropriated for general expenditure as part of its annual budget approval and appropriation process, amounts from the University board-designated endowment could be made available, if necessary. However, both the board-designated endowment and donor-restricted endowments contain investments with lock-up provisions that would reduce the total investments that could be made available.

## 17. Functional Classification of Expenses

The costs of providing program services and supporting services of the University have been summarized on a functional basis in the following schedule. The University allocates expenses for benefits, interest and the physical plant based on salaries, the use of debt proceeds and square footage.

Functional expenses by natural classification consist of the following as of June 30, 2023 and 2022:

| | 2023 | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Salaries | Benefits | Depreciation | Equipment and Maintenance | Professional Fees | Interest | Other | Total Expenses |
| Resident instruction | $ 18,214 | 5,113 | 5,079 | 1,948 | 28 | 1,381 | 6,416 | $ 38,179 |
| Academics support | 2,318 | 619 | 377 | 665 | - | - | 1,347 | 5,326 |
| Student services | 4,790 | 1,285 | 230 | 294 | 265 | 75 | 2,901 | 9,840 |
| Athletics | 1,900 | 512 | 1,331 | 176 | - | 106 | 3,173 | 7,198 |
| Institutional support | 4,682 | 1,324 | 597 | 1,269 | 986 | 133 | 1,887 | 10,878 |
| Fundraising | 1,361 | 378 | - | 37 | 120 | - | 677 | 2,573 |
| Auxiliary expenses | 1,551 | 322 | 2,362 | 618 | - | 683 | 6,026 | 11,562 |
| Other | - | - | - | 13 | - | - | 198 | 211 |
| Plant allocations | 2,200 | 622 | 574 | 3,705 | 5 | - | (7,106) | - |
| Total | $ 37,016 | $ 10,175 | $ 10,550 | $ 8,725 | $ 1,404 | $ 2,378 | $ 15,519 | $ 85,767 |

| | 2022 | | | | | | | |
|---|---|---|---|---|---|---|---|---|
| | Salaries | Benefits | Depreciation | Equipment and Maintenance | Professional Fees | Interest | Other | Total Expenses |
| Resident instruction | $ 17,735 | $ 4,905 | $ 5,072 | $ 2,021 | $ 41 | $ 1,600 | $ 5,526 | $ 36,900 |
| Academics support | 1,858 | 537 | 408 | 723 | - | - | 1,226 | 4,752 |
| Student services | 3,955 | 1,102 | 260 | 401 | 275 | 81 | 5,441 | 11,515 |
| Athletics | 1,654 | 467 | 1,281 | 218 | - | 122 | 2,890 | 6,632 |
| Institutional support | 4,711 | 1,327 | 628 | 1,313 | 699 | 229 | 1,839 | 10,746 |
| Fundraising | 1,128 | 318 | - | 74 | - | - | 523 | 2,043 |
| Auxiliary expenses | 1,394 | 290 | 2,308 | 558 | - | 712 | 5,394 | 10,656 |
| Other | - | - | - | - | - | - | 262 | 262 |
| Plant allocations | 2,247 | 641 | 581 | 3,989 | - | - | (7,458) | - |
| Total | $ 34,682 | $ 9,587 | $ 10,538 | $ 9,297 | $ 1,015 | $ 2,744 | $ 15,643 | $ 83,506 |

## 18. Related-Party Transactions

Contributions made by non-compensated members of the Board of Trustees totaled approximately $970,000 and $653,000 for the years ended June 30, 2023 and 2022, respectively. Outstanding contribution receivables from members of the Board of Trustees total approximately $1,755,000 and $767,000 at June 30, 2023 and 2022, respectively.

## 19. Title IV Requirements

The University participates in student financial assistance programs (Title IV) administered by the ED for the payment of student tuition. A substantial number of University students are dependent upon the University's continued participation in the Title IV programs.

Institutions participating in Title IV programs are also required by ED to demonstrate financial responsibility. ED determines an institution's financial responsibility through the calculation of a composite score based upon certain financial ratios as defined in regulations. Institutions receiving a composite score of 1.5 or greater are considered fully financially responsible. Institutions receiving a composite score between 1.0 and 1.5 are subject to additional monitoring and institutions receiving a score below 1.0 are required to submit financial guarantees in order to continue participation in the Title IV programs. The University's composite score exceeded 1.5 in 2023 and 2022.

The ED requires the University to provide additional disclosures to assist the ED in measuring financial responsibility through the composite score of financial ratios. The following information is required by the ED at June 30:

| | 2023 | 2022 |
|---|---|---|
| Property, plant and equipment, net, pre-implementation | $ 119,763 | $ 125,520 |
| Property, plant and equipment, net, post-implementation without outstanding debt for original purchase | 18,640 | 15,681 |
| Property, plant and equipment, net, post-implementation with outstanding debt for original purchase | 781 | 2,334 |
| Construction in progress | 3,059 | 1,196 |
| Total land, buildings and equipment, net | $ 142,243 | $ 144,731 |
| Long-term debt, for long-term purposes, pre-implementation | $ 71,027 | $ 74,210 |
| Long-term debt, for long-term purposes, post-implementation | 2,840 | 3,341 |
| Total long-term debt and finance lease obligations, net | $ 73,867 | $ 77,551 |
| Post-employment and pension liabilities | $ 148 | $ 220 |

**Moravian University and Subsidiary**

Consolidating Schedule of Financial Position
June 30, 2023
(In Thousands)

| | Moravian University | MCHI Standalone | MCHI Purchase Accounting | MCHI Total | Eliminations | Consolidated Total |
|---|---|---|---|---|---|---|
| **Assets** | | | | | | |
| **Current Assets** | | | | | | |
| Cash and cash equivalents | $ 7,908 | $ 2,593 | $ - | $ 2,593 | $ - | $ 10,501 |
| Accounts receivable, net | 3,851 | - | - | - | (184) | 3,667 |
| Contributions receivable | 3,159 | - | - | - | - | 3,159 |
| Prepaids and other | 3,143 | - | - | | (1,385) | 1,758 |
| Deposits with trustee under debt agreements | 538 | - | - | - | - | 538 |
| Total current assets | 18,599 | 2,593 | - | 2,593 | (1,569) | 19,623 |
| **Noncurrent Assets** | | | | | | |
| Contributions receivables, net | 5,549 | - | - | - | - | 5,549 |
| Note receivable, related party | 1,000 | - | - | - | (1,000) | - |
| Investments | 141,713 | - | - | - | - | 141,713 |
| Investment in MCHI | 5,073 | - | - | - | (5,073) | - |
| Split-interest agreements | 2,690 | - | - | - | - | 2,690 |
| Student loans receivable, net | 369 | - | - | - | - | 369 |
| Other noncurrent assets | 1,058 | 581 | - | 581 | - | 1,639 |
| Land, buildings and equipment, net | 120,811 | 14,184 | 7,248 | 21,432 | - | 142,243 |
| Total noncurrent assets | 278,263 | 14,765 | 7,248 | 22,013 | (6,073) | 294,203 |
| Total assets | $ 296,862 | $ 17,358 | $ 7,248 | $ 24,606 | $ (7,642) | $ 313,826 |
| **Liabilities and Net Assets** | | | | | | |
| **Current Liabilities** | | | | | | |
| Long-term debt | $ 2,656 | $ 758 | $ - | $ 758 | $ - | $ 3,414 |
| Accounts payable | 1,270 | 184 | - | 184 | (184) | 1,270 |
| Accrued interest | 576 | 41 | - | 41 | - | 617 |
| Accrued expenses and other liabilities | 3,716 | - | - | - | - | 3,716 |
| Deferred revenue | 5,629 | 771 | - | 771 | (771) | 5,629 |
| Finance lease obligations | 1,221 | - | - | - | - | 1,221 |
| Total current liabilities | 15,068 | 1,754 | - | 1,754 | (955) | 15,867 |
| **Noncurrent Liabilities** | | | | | | |
| Annuities payable | 1,431 | - | - | - | - | 1,431 |
| Long-term debt | 53,130 | 14,315 | 168 | 14,483 | - | 67,613 |
| Finance lease obligations | 1,619 | - | - | - | - | 1,619 |
| Note payable, related party | - | 1,614 | - | 1,614 | (1,614) | - |
| Refundable federal grants and loan funds | 218 | - | - | - | - | 218 |
| Other liabilities | 1,920 | - | - | - | - | 1,920 |
| Total liabilities | 73,386 | 17,683 | 168 | 17,851 | (2,569) | 88,668 |
| **Net Assets** | | | | | | |
| Without donor restriction | 84,018 | (325) | 7,080 | 6,755 | (5,073) | 85,700 |
| With donor restriction | 139,458 | - | | - | - | 139,458 |
| Total net assets | 223,476 | (325) | 7,080 | 6,755 | (5,073) | 225,158 |
| Total liabilities and net assets | $ 296,862 | $ 17,358 | $ 7,248 | $ 24,606 | $ (7,642) | $ 313,826 |

**Moravian University and Subsidiary**

Consolidating Schedule of Activities
Year Ended June 30, 2023
(In Thousands)

| | Moravian University | MCHI Standalone | MCHI Purchase Accounting | MCHI Total | Eliminations | Consolidated Total |
|---|---|---|---|---|---|---|
| **Operating Revenues and Other Additions** | | | | | | |
| Tuition and fees (net of student scholarships of $47,968) | $ 51,312 | $ - | $ - | $ - | | $ 51,312 |
| Private gifts and grants | 7,543 | - | - | - | - | 7,543 |
| Investment income, net | 2,609 | - | - | - | (40) | 2,569 |
| Federal grants and contracts | 846 | - | - | - | - | 846 |
| State grants | 482 | - | - | - | - | 482 |
| Contributions of nonfinancial assets | 76 | - | - | - | - | 76 |
| Auxiliary enterprises | 12,260 | 2,027 | - | 2,027 | (75) | 14,212 |
| Other sources | 2,134 | - | - | - | - | 2,134 |
| Total operating revenues and other additions | 77,262 | 2,027 | - | 2,027 | (115) | 79,174 |
| **Operating Expenses** | | | | | | |
| Instruction | 38,179 | - | - | - | - | 38,179 |
| Academics support | 5,326 | - | - | - | - | 5,326 |
| Student services | 9,840 | - | - | - | - | 9,840 |
| Athletics | 7,198 | - | - | - | - | 7,198 |
| Institutional support | 10,878 | - | - | - | - | 10,878 |
| Fundraising | 2,573 | - | - | - | - | 2,573 |
| Auxiliary enterprises | 9,758 | 1,778 | 141 | 1,919 | (115) | 11,562 |
| Other | 211 | - | - | - | - | 211 |
| Total operating expenses | 83,963 | 1,778 | 141 | 1,919 | (115) | 85,767 |
| Change in net assets from operating activities | (6,701) | 249 | (141) | 108 | - | (6,593) |
| **Nonoperating** | | | | | | |
| Realized net gain on investments | 5,459 | - | - | - | - | 5,459 |
| Unrealized net gain on investments | 1,900 | - | - | - | - | 1,900 |
| Loss on disposal of assets | (25) | - | - | - | - | (25) |
| Other gain | 742 | - | | | | 742 |
| Gain on interest rate swaps | - | 562 | - | 562 | - | 562 |
| Change in value of split-interest agreements | 162 | - | - | - | - | 162 |
| Change in net assets from nonoperating activities | 8,238 | 562 | - | 562 | - | 8,800 |
| Change in net assets | 1,537 | 811 | (141) | 670 | - | 2,207 |
| **Net Assets, Beginning** | 221,939 | (1,136) | 7,221 | 6,085 | (5,073) | 222,951 |
| **Net Assets, Ending** | $ 223,476 | $ (325) | $ 7,080 | $ 6,755 | $ (5,073) | $ 225,158 |