American University

Consolidated Financial Statements
For the years ended June 30, 2024 and 2023
And report of independent auditors

Report of Independent Auditors

To the Board of Trustees of American University

Opinion

We have audited the accompanying consolidated financial statements of American University and its subsidiaries (the "University"), which comprise the consolidated statements of financial position as of June 30, 2024 and 2023, and the related consolidated statements of activities and of cash flows for the years then ended, including the related notes (collectively referred to as the "consolidated financial statements").

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

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (US 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 audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Consolidated Financial Statements

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

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

PricewaterhouseCoopers LLP

Washington, District of Columbia
November 22, 2024

American University
Consolidated Statements of Financial Position
Years ended June 30, 2024 and 2023

(In thousands)		2024		2023
Assets				
Cash and cash equivalents	$	24,247	$	136,363
Accounts and University loans receivable, net		47,586		37,992
Contributions receivable, net		23,892		27,724
Prepaid expenses, inventory and other assets		42,558		33,608
Investments		1,437,114		1,284,353
Property, plant, and equipment, net		860,681		854,979
Interest in perpetual trust		23,654		23,374
Right of use assets under operating leases		4,429		4,817
Right of use assets under finance leases		85		120
Total assets	$	2,464,246	$	2,403,330
Liabilities and Net Assets				
Liabilities:				
Accounts payable and accrued liabilities	$	66,028	$	87,046
Deferred revenue and contract liabilities		40,359		40,583
Notes payable and long-term debt		748,450		748,759
Refundable advances from the U.S. government		2,722		2,750
Operating lease liabilities		4,256		4,604
Finance lease liabilities		114		144
Total liabilities	$	861,929	$	883,886
Net assets:				
Without donor restrictions	$	1,244,695	$	1,189,973
With donor restrictions		357,622		329,471
Total net assets	$	1,602,317	$	1,519,444
Total liabilities and net assets	$	2,464,246	$	2,403,330

See accompanying notes to the consolidated financial statements.

American University
Consolidated Statement of Activities
Year ended June 30, 2024

(In thousands)	Without donor restrictions	With donor restrictions	Total
Operating revenues and support			
Tuition and fees	$ 434,132	$ -	$ 434,132
Executive education	6,770	-	6,770
Auxiliary enterprises	114,986	-	114,986
Grants and contracts	47,907	-	47,907
Indirect cost recovery	5,212	-	5,212
Contributions	25,875	13,173	39,048
Endowment investment return	31,122	10,040	41,162
Investment return	21,273	696	21,969
Other sources	6,482	-	6,482
Net asset release	12,367	(12,367)	-
Total operating revenues and support	706,126	11,542	717,668
Operating expenses			
Instruction	234,816	-	234,816
Research	73,828	-	73,828
Public service	26,471	-	26,471
Academic support	97,510	-	97,510
Student services	65,430	-	65,430
Institutional support	99,923	-	99,923
Auxiliary enterprises	116,455	-	116,455
Total operating expenses	714,433	-	714,433
Total operating activities	(8,307)	11,542	3,235
Nonoperating items			
Other nonoperating activities	211	(480)	(269)
Investment return, net of endowment spending	62,818	17,089	79,907
Total nonoperating activities	63,029	16,609	79,638
Change in net assets	54,722	28,151	82,873
Net assets at beginning of year	1,189,973	329,471	1,519,444
Net assets at end of year	$ 1,244,695	$ 357,622	$ 1,602,317

See accompanying notes to the consolidated financial statements.

American University
Consolidated Statement of Activities
Year ended June 30, 2023

(In thousands)	Without donor restrictions	With donor restrictions	Total
Operating revenues and support			
Tuition and fees	$ 441,069	$ -	$ 441,069
Executive education	8,848	-	8,848
Auxiliary enterprises	107,503	-	107,503
Grants and contracts	44,223	-	44,223
Indirect cost recovery	4,111	-	4,111
Contributions	26,842	20,365	47,207
Endowment investment return	28,108	9,869	37,977
Investment return	12,116	-	12,116
Other sources	7,188	-	7,188
Net asset release	13,507	(13,507)	-
Total operating revenues and support	693,515	16,727	710,242
Operating expenses			
Instruction	234,057	-	234,057
Research	72,070	-	72,070
Public service	28,495	-	28,495
Academic support	97,047	-	97,047
Student services	66,212	-	66,212
Institutional support	106,242	-	106,242
Auxiliary enterprises	106,201	-	106,201
Total operating expenses	710,324	-	710,324
Total operating activities	(16,809)	16,727	(82)
Nonoperating items			
Other nonoperating activities	(1,648)	1,474	(174)
Investment return, net of endowment spending	42,450	10,772	53,222
Total nonoperating activities	40,802	12,246	53,048
Change in net assets	23,993	28,973	52,966
Net assets at beginning of year	1,165,980	300,498	1,466,478
Net assets at end of year	$ 1,189,973	$ 329,471	$ 1,519,444

See accompanying notes to the consolidated financial statements.

American University
Consolidated Statements of Cash Flows
Years ended June 30, 2024 and 2023

(In thousands)	2024	2023
Cash flows from operating activities		
Increase in net assets	$ 82,873	$ 52,966
Adjustments to reconcile increase in net assets to net cash (used in) provided by operating activities:		
Contributed art and property	(767)	(481)
Net realized and unrealized capital gain	(109,738)	(79,589)
Loss (gain) on the disposal of fixed assets	88	(872)
Depreciation, amortization and accretion	38,691	39,659
Amortization of operating lease right-of-use assets	2,967	3,118
Interest on finance lease	37	44
Changes in assets and liabilities		
(Increase) decrease in accounts and university loans receivable, net	(9,615)	345
Decrease (increase) in contributions receivable, net	3,832	(7,318)
Increase in prepaid expenses, inventory, and other assets	(10,862)	(13,239)
(Decrease) increase in accounts payable and accrued liabilities	(28,907)	5,284
Decrease in deferred revenue, deposits and other refundable advance	(252)	(3,765)
Decrease in operating lease liabilities	(2,927)	(3,140)
Receipt of contributed securities	(2,795)	(1,266)
Sale of contributed securities	2,795	1,266
Contributions collected and revenues restricted for long-term investment	(14,692)	(10,332)
Net cash used in operating activities	(49,272)	(17,320)
Cash flows from investing activities		
Student loans repaid	-	1,540
Purchases of investments	(548,808)	(934,635)
Proceeds from sales and maturities of investments	493,411	969,630
Proceeds from sale of property, plant and equipment	-	2,662
Purchases of property, plant, and equipment	(34,187)	(12,278)
Net cash (used in) provided by investing activities	(89,584)	26,919
Cash flows from financing activities		
Student loans assigned	21	2,474
Payments on finance leases	(67)	(67)
Proceeds from contributions restricted for		
Investment in plant	2,633	1,143
Investment in endowment	12,059	9,189
Net cash provided by financing activities	14,646	12,739
Net (decrease) increase in cash and cash equivalents	(124,210)	22,338
Cash and cash equivalents at beginning of year	152,086	129,748
Cash and cash equivalents at end of year	$ 27,876	$ 152,086
Supplemental disclosure of cash flow information		
Cash paid during the year for interest	$ 27,542	$ 27,565
Operating cash flows from operating leases	2,579	3,006
Financing cash flows from finance leases	67	67
Contributed art and property	767	481
Contributed securities	2,795	1,266
Accrued payment for property, plant & equipment	7,786	9,246
Cash and cash equivalents reported on the statements of financial position		
Cash and cash equivalents	$ 24,247	$ 136,363
Uninvested cash included in investments	3,451	15,554
Deposits with trustees	178	169
Total cash, cash equivalents, and restricted cash	$ 27,876	$ 152,086

See accompanying notes to the consolidated financial statements.

1. American University

American University (the University) is an independent, coeducational university located on an 85-acre campus in northwest Washington, D.C. It was chartered by an Act of Congress in 1893 (the Act). The Act empowered the establishment and maintenance of a university for the promotion of education under the auspices of the Methodist Church. While still maintaining its Methodist connection, the University is nonsectarian in all its policies.

American University offers a wide range of graduate and undergraduate degree programs, as well as non-degree studies. There are 960 full-time faculty members in seven academic divisions and approximately 13,000 students, of which 8,000 are undergraduate students and 5,000 are graduate students. The University attracts students from all fifty states, the District of Columbia, Puerto Rico, the Territories, and 115 foreign countries.

2. Summary of Significant Accounting Policies

Basis of Presentation
The consolidated financial statements of the University have been reported on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America.

Principles of Consolidation
The consolidated financial statements include the University accounts and its wholly owned and controlled subsidiaries after the elimination of intercompany accounts and transactions.

In May 2012, the University became the sole member of American University at Connecticut Avenue LLC (the LLC). The LLC purchased an office building to house the University's public radio station, WAMU - 88.5 FM, and other administrative offices. The University consolidated the results of the LLC in these consolidated financial statements. Additionally, the University acquired the Airlie Foundation (Airlie) on September 9, 2016 via a change of control. The results of Airlie are included in the University's consolidated financial statements.

Classification of Net Assets
Net assets, revenues, gains, and losses are classified based on the existence or absence of donor-imposed restrictions. Accordingly, net assets of the University and changes therein are classified and reported as follows:

Without donor restrictions – Net assets not subject to donor-imposed stipulations. This classification also includes net assets earmarked for board designated endowments and investments in capital assets. Board designated net assets without donor restrictions represent amounts designated by the Board to function as endowment assets to support the University's strategic objectives and future expenditures.

With donor restrictions – Net assets subject to donor-imposed stipulations that either expire by passage of time, can be fulfilled by actions of the University pursuant to those stipulations or are subject to donor-imposed stipulations that must be maintained permanently by the University.

Revenues are reported as increases in net assets without donor restrictions unless use of the related assets is limited by donor-imposed restrictions. Contributions are reported as increases in the appropriate category of net assets. Expenses are reported as decreases in net assets without donor restrictions. Gains and losses on investments are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulations or by law. Expirations of restrictions related to time or purpose recognized on net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as reclassifications from net assets with donor restrictions to net assets without donor restrictions. Contributions with donor restrictions that expire simultaneously with the satisfaction of the specified conditions are reported as net assets without donor restrictions. Time or purpose restrictions on gifts to acquire long-lived assets are considered met in the period in which the assets are acquired or placed in service.

Non-operating activities represent transactions relating to the University's long-term investments and plant activities, including contributions to be invested by the University to generate a return that will support future operations, contributions to be received in the future or to be used for facilities and equipment and investment gains or losses.

Use of Estimates
The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect: (1) the reported amounts of assets and liabilities; (2) disclosure of contingent assets and liabilities at the date of the financial statements; and (3) the reported amounts of revenues and expenses during the reporting period. Significant items subject to such estimates and assumptions are the allowance for uncollectible accounts, the value of alternative investments, the lease obligation, and the postretirement benefit obligation. Actual results could differ materially, in the near term, from the amounts reported.

Accounting Pronouncements Adopted
In June 2016, the FASB issued ASU 2016-13 Financial Instruments – Credit Losses (Topic 326) to provide financial statements users with more decision-useful information about the expected credit losses on financial instruments and other commitments to extend credit held by a reporting entity at each reporting date. The amendments replace the incurred loss impairment methodology in the current GAAP with a methodology that reflects expected credit losses and requires consideration of a broader range of reasonable and supportable information to inform credit loss estimates. This guidance is effective for fiscal years beginning after December 15, 2022. The University adopted ASU 2016-13 for the fiscal year ended June 30, 2024. There was no material impact on the University's financial statements due to this adoption.

Recent Accounting Pronouncements
In December 2023, the FASB issued ASU 2023-09 Improvements to Income Tax Disclosures to enhance the transparency and decision usefulness of income tax disclosures. The guidance focuses on two specific disclosure areas: the rate reconciliation and income taxes paid. The entities will be required to disclose the amounts of income taxes paid (net of refunds received) disaggregated by federal, state, and foreign taxes and by individual jurisdictions that are equal to or greater than 5% of the total taxes paid. In addition, it requires the disclosure of significant rate reconciling items qualitatively. This guidance is effective for fiscal years beginning after December 15, 2025. The University will evaluate its impact on the consolidated financial statements beginning in the fiscal year 2027.

Cash and Cash Equivalents
Cash and cash equivalents include U.S. currency and highly liquid short-term interest-bearing marketable instruments with original maturities of three months or less from the initial purchase date.

The University places its cash and cash equivalents and investments in various financial institutions that are federally insured for $250,000 and for $500,000 under the Federal Depository Insurance Corporation Act (FDICA) and Securities Investor Protection Corporation (SIPC), respectively. At June 30, 2024, the aggregate balances were in excess of the insurance and, therefore, bear some risk since they are not collateralized. The University has not experienced any losses on its cash and cash equivalents or investments to date as it relates to FDICA and SIPC insurance limits.

Receivables
Receivables consist of tuition and fee charges to students and auxiliary enterprises' sales and services, loans receivable primarily related to donor-structured loans and federal student financial aid programs including the corresponding accrued interest, and amounts due from federal, state, and local governments, or private sources, in connection with reimbursement of allowable expenditures made pursuant to grants and contracts. Receivables are recorded net of estimated uncollectible amounts. The University reviews the individual receivables as well as the history of collectability to determine the collectible amount as of the date of the consolidated statement of financial position. Additionally, unsecured and secured university loan receivables are evaluated annually.

Investments
Investments are presented at fair value in the consolidated statement of financial position. Investments include endowment funds and university working capital (non-endowment) funds. Endowment investment return included in operating revenues consists of annual amounts allocated for spending of endowment funds in accordance with the University's spending policy. The realized gains and losses, and the change in unrealized gains and losses are calculated using the average cost of investments. Gains and losses from investments of endowment funds are reported as non-operating revenues in the consolidated statements of activities. Endowment investment return includes both the pooled endowment and separately managed endowments. The return is reported in endowment investment return and investment return net of endowment spending in the statement of activities. Investment return is accrued as earned and is reported net of management fees. Income and realized gains and losses on investments of working capital are reported as investment return included in operating revenues. Additionally, the University has elected the policy that all cash equivalents included within the investment portfolio are short-term investments and thus not included within cash and cash equivalents on the consolidated statement of cash flows.

Investments are valued based on the quoted market price when available. The University has interests in alternative investments consisting of limited partnerships and limited liability companies. For these alternative investments, the University uses Net Asset Value ("NAV") as a practical expedient to determine fair value. Alternative investments are less liquid than the University's other investments. Furthermore, the investments held in these limited partnerships and limited liability companies, as well as certain investment securities held in mutual funds classified as equity securities, may include derivatives and certain private investments which do not trade on public markets and therefore may be subject to greater liquidity risk. See Note 7 for an explanation of the methodology for determining fair value.

Property, Plant, and Equipment, Net
Property, plant, and equipment are stated at cost on the date of acquisition or at estimated fair value if acquired by gift including interest capitalized on related borrowings during the period of construction, less accumulated depreciation. Certain costs associated with the financing of plant assets are deferred and amortized over the terms of the financing.

Depreciation of the University's plant assets is computed using the straight-line method over the asset's estimated useful life, generally over 50 years for buildings, 25 years for building improvements, 20 years for land improvements, 5 years for equipment, 10 years for special library collections, and 50 years for art collections. The University's capitalization policy is to capitalize all fixed assets and collection items that have a cost of $10,000 or more per unit and useful life of two years or more.

Deferred Revenue and Contract Liabilities
Deferred revenue and contract liabilities consists of amounts received by the University for tuition, housing and student fees, and exchange transactions with customers before the commencement of the contract terms or the performance obligations are satisfied. Deferred revenue related to tuition, housing, and student fees was $22.1 million and $23.8 million on June 30, 2024, and 2023, respectively, and are recognized as revenue in the following fiscal year as performance obligations are satisfied. Contract liabilities from exchange transactions were approximately $15 million and $15.3 million on June 30, 2024, and 2023, respectively, and are recognized as revenue when the performance obligations are satisfied, typically in the following fiscal year.

Refundable Advances from the U.S. Government
Funds provided by the United States Government under the Federal Perkins Loan Program are loaned to qualified students. The Federal Perkins Loan program was not reauthorized by the federal government in September 2017, and therefore, collected funds will be returned to the United States Government and the University proportionate to their original funding. Such funds are ultimately refundable to the government. Per Department of Education guidance, the University completed assigning Perkins loans to the Department of Education. During fiscal years ended June 30, 2024 and 2023, $21 thousand and $2.5 million were assigned to the Department of Education.

Tuition, Fees and Scholarships
The University recognizes revenues from student tuition and fees within the fiscal year in which educational services are provided, and the performance obligation is met. Students are billed upon registration, and payment is due before the start of the term.

Tuition discounts in the form of scholarships and fellowships, including those funded by the endowment, research funds, and gifts, have been reported as a reduction of tuition revenues.

Approximately 32% and 34% of net tuition and fees revenue for the years ended June 30, 2024 and 2023, respectively, was funded by federal student financial aid programs (including loan, grant, and work-study programs).

Tuition and fees revenue is as follows for the years ended June 30, 2024 and 2023 (in thousands):

	2024	2023
Tuition and fees, gross	$ 637,975	$ 641,512
Less: Scholarship allowance	(203,843)	(200,443)
Tuition and fees	$ 434,132	$ 441,069

Grants and Contracts
The University receives grants and contracts revenue from various governmental and private sources. The funding may represent a reciprocal transaction in exchange for an equivalent benefit in return, or it may be a nonreciprocal transaction in which the resources provided are for the benefit of the University, the funding organization's mission, or the public at large. The University considers the majority of its grants and contracts from governmental sources and private foundations to be nonreciprocal conditional contributions. The University recognizes revenues associated with these grants and contracts as the related costs are incurred in accordance with the terms of the grant agreements. All other grants and contracts are considered exchange transactions, and the University recognizes revenue as performance obligations are satisfied.

The University was awarded a Public Assistance grant from the Federal Emergency Management Agency (FEMA) to reimburse health and safety costs associated with the pandemic. Approximately $358 thousand and $2.1 million were received during the fiscal years ended June 30, 2024 and 2023, respectively. The amounts received were recognized as grant revenue during the year in which they were obligated.

Total grants and contracts revenue for the years ended June 30, 2024 and 2023 are as follows (in thousands):

	2024	2023
Governmental sources	$ 29,156	$ 26,601
Private foundations	16,467	14,644
Total contributions	$ 45,623	$ 41,245

	2024	2023
Governmental sources	$ 1,487	$ 2,440
Private foundations	797	538
Total exchange transactions	$ 2,284	$ 2,978

In addition, the University had remaining available award balances on federal and private conditional grants and contracts for sponsored projects of $40.2 million and $42.9 million as of June 30, 2024 and 2023, respectively. These award balances are not recognized as assets and will be recognized as revenue as the projects progress and conditions are met, generally as expenses are incurred.

Indirect Cost Recovery

Indirect costs recovered on federally sponsored programs are generally based on predetermined reimbursement rates negotiated with the University's cognizant federal agency, the Department of Health and Human Services. Indirect costs recovered on all other grants and contracts are based on rates negotiated with the respective sponsors. The University recognizes revenues for the recovery of indirect costs associated with these sponsored programs at the negotiated rates as the related direct costs are incurred.

Executive Education

Registration revenue from non-credit, non-degree courses and programs are recognized within the fiscal year in which educational services are provided and the performance obligation is met. Students are billed upon registration and payment is due before the start of the course.

Auxiliary Enterprises

The auxiliary enterprises revenue consists primarily of revenue received from students for housing and food services operations, parking revenue, corporate underwriting, and commercial property rental income. Students are billed for housing and food services upon registration and payment is due before the start of the term. Scholarships specifically attributable to housing and food services are recorded as a reduction to auxiliary enterprises' revenue and total $1.51 million and $1.45 million for the years ended June 30, 2024, and 2023. Performance obligations for housing and dining services are delivered over the academic terms. Consequently, revenue from housing and dining services is recognized ratably as the performance obligations are satisfied. Revenues related to parking facilities and commercial property rental are recorded as the customer uses the space based on the terms of the contractual agreement.

Contributions

Contributions, including unconditional promises to give, are recognized as revenues in the period received. Conditional promises to give are not recognized until the conditions on which they depend are substantially met. Contributions to be received after one year are discounted at a rate commensurate with the risk involved. Amortization of the discount is recorded as contribution revenue. Allowance is made for uncollectible contributions based upon management's judgment and analysis of the creditworthiness of the donors, past collection experience, and other relevant factors.

The University records contributed nonfinancial assets at their estimated fair value at the date of the gift. The general policy regarding the disposition of contributed nonfinancial assets is that the university divests itself of gifts as rapidly as possible unless the gift-in-kind is placed in use by the university. For the years ended June 30, 2024 and 2023, contributed nonfinancial assets included contributed artwork, gift cards, software licenses, vehicles, and services. The amounts recognized within the statement of activities totaled $2.6 million and $2.1 million and did not have donor-imposed restrictions.

It is the University's policy to sell all contributed vehicles immediately upon receipt at auction or for salvage unless the vehicle is restricted for use in a specific program by the donor. No vehicles received during the year ended June 30, 2024 and 2023 were restricted for use. All vehicles were sold and valued according to the actual cash proceeds at their disposition.

Contributed services recognized are made up of professional services from attorneys advising the University's public radio station WAMU-88.5 FM on various administrative, and legal matters. Contributed services are valued and are reported at the estimated fair value in the financial statements based on current rates for similar legal services.

Cloud Computing Arrangements

For the fiscal years ended June 30, 2024 and 2023, the University recorded approximately $18.4 million and $13.4 million in prepaid expenses related to costs incurred to implement two technology platforms—an enterprise resource planning system and an admissions customer relationship management system. Both systems went live during the fiscal year ended 2024; the University started amortizing the costs over the term of contracts with renewal options on a straight-line basis. The amortization expense of $1.9M was recorded for the fiscal year ended June 30, 2024. No amortization was recorded for the fiscal year ended June 30, 2023.

Income Taxes

The University has been recognized by the Internal Revenue Service as exempt from federal income tax under Section 501(c)(3) of the U.S. Internal Revenue Code, except for taxes on income from activities unrelated to its exempt purpose. Such activities resulted in no net taxable income in the years ended June 30, 2024 and 2023.

The University considers uncertain tax positions in accordance with ASC 740, *Income Taxes* on the basis of a two-step process in which (1) management evaluates whether it is more likely than not that the tax positions will be sustained on the basis of the technical merits of the position and (2) for those tax positions that meet the more-likely-than-not recognition threshold, the University recognizes the largest amount of tax benefit that is more than 50 percent likely to be realized upon settlement within the related tax authority. The University has concluded that there are no material uncertain tax positions as of June 30, 2024 and 2023.
The Airlie Foundation, a subsidiary acquired by the University in September 2016, remains a taxable non-stock corporation and is taxed as a C-Corporation and uses the liability method of accounting for income taxes in accordance with ASC 740. Accordingly, deferred tax assets and liabilities are determined based on the difference between the financial statement and tax basis of assets and liabilities, using enacted tax rates

in effect for the year in which the differences are expected to reverse. Income tax expense is the tax payable or refundable for the period plus or minus the change during the period in deferred tax assets and liabilities. The University's policy is to record interest and penalties as an increase in income taxes payable and a corresponding increase to income tax expense. No penalties or interest have been recorded for the years ended June 30, 2024 or 2023.

3. Liquidity

The University strategically manages its fiscal assets to ensure adequate liquidity to meet its operating needs and other contractual commitments, while also maximizing the investment of its available funds. In addition to financial assets available in the next twelve months, the University anticipates collecting sufficient revenue to cover general expenditures not covered by donor-restricted resources. Additionally, the University has commercial paper facilities available to provide additional liquidity should unanticipated needs arise.

As of June 30, 2024, and 2023, the following financial assets and liquidity resources could readily be made available within one year (in thousands):

	2024	2023
Financial assets and liquidity resources:		
Cash and cash equivalents	$ 24,247	$ 136,363
Accounts and University loans receivable, net	35,798	26,289
Contributions receivable, net	3,791	4,819
Non-Endowment Investments	406,751	327,309
Financial assets available within one year	470,587	494,781
Other liquidity resources:		
Commercial Paper	125,000	125,000
Total financial assets and liquidity resources	$ 595,587	$ 619,781

The University also has Board Designated funds of $481,296 and $458,165 at June 30, 2024 and 2023, respectively. These represent unrestricted operating funds that have been internally designated by the University. These could be liquidated over time, if necessary, to support operations.

4. Accounts and University Loans Receivable, Net

Accounts and loans receivable, net, at June 30, 2024 and 2023 are as follows (in thousands):

	2024	2023
Accounts receivable		
Student	$ 19,238	$ 14,233
Grants, contracts, and other	30,551	26,551
Accrued interest	-	6
Student loans	689	711
	50,478	41,501
Less allowance for uncollectible accounts and loans	(2,892)	(3,509)
	$ 47,586	$ 37,992

At June 30, 2024 and 2023, the University had an outstanding student loans receivable balance in the amount of $0.7 million and $0.7 million, respectively. These represent loans under the Perkins loan program. Management does not believe it has significant exposure to credit risk related to the federal student financial aid programs as these accounts receivable amounts are backed by the U.S. Government. Additionally, management has considered the credit and market risk associated with all other outstanding balances and believes the recorded cost of these loans approximates fair market value at June 30, 2024 and 2023.

5. Contributions Receivable, Net

As of June 30, 2024 and 2023, unconditional promises to give were as follows (in thousands):

	2024	2023
Amounts due in:		
Less than one year	$ 9,793	$ 14,112
One year to five years	20,104	18,830
Over five years	1,370	1,075
	31,267	34,017
Less unamortized discount	(3,097)	(2,788)
Less allowance for uncollectible accounts	(4,278)	(3,505)
	$ 23,892	$ 27,724

Contributions receivable over more than one year are discounted at rates ranging from 3.0% to 6.5%. New contributions received during the years ended June 30, 2024 and 2023 were assigned a discount rate which is commensurate with the market and credit risk involved.

As of June 30, 2024, and 2023, the University had also received bequest intentions and conditional promises to give of $27.5 million and $9.4 million, respectively. These intentions to give are not recognized as assets. If the bequests are received, they will generally be restricted for specific purposes stipulated by the donors, primarily endowments for faculty support, scholarships, or general operating support of a particular department of the University. Conditional promises to give are recognized as contributions when the donor-imposed conditions are substantially met.

6. Property, Plant, and Equipment, Net

Property, plant, and equipment and related accumulated depreciation and amortization at June 30, 2024 and 2023, are as follows (in thousands):

	2024	2023
Land and improvements	$ 54,742	$ 54,186
Buildings	1,221,771	1,198,047
Equipment	81,129	79,481
Construction in progress	32,086	16,638
Library and art collections	190,475	189,691
	1,580,203	1,538,043
Less accumulated depreciation and amortization	(719,522)	(683,064)
	$ 860,681	$ 854,979

The university periodically performs fixed asset inventories to confirm that items recorded in the fixed asset subledger physically exist and are being appropriately maintained and utilized as intended. The results of the inventory and subsequent write-off of unused assets are reflected in the table above.

Construction in progress at June 30, 2024 and 2023 relates to building improvements and renovations.

For the years ended June 30, 2024 and 2023, depreciation expense was approximately $36.9 million and $39.9 million, respectively.

7. Fair Value Measurements

The University determines fair value in accordance with fair value measurement accounting standards. These standards establish a framework for measuring fair value, a fair value hierarchy based on the observability of inputs used to measure fair value, and disclosure requirements for fair value measurements. Financial assets and liabilities are classified and disclosed in one of the following three categories based on the lowest level input that is significant to the fair value measurement in its entirety:

Level 1: Quoted prices (unadjusted) in active markets for identical assets and liabilities.

Level 2: Inputs other than Level 1, that are observable either directly or indirectly, such as quoted prices for similar assets or liabilities, quoted prices in markets that are not active; or inputs that are observable or can be corroborated by observable market data for substantially the same term of the assets or liabilities.

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

Assets and Liabilities Measured at Fair Value

The following table displays the carrying value and estimated fair value of the University's financial instruments as of June 30, 2024 (in thousands):

	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Net Asset Value (NAV) as Practical Expedient	Total Fair Value as of June 30, 2024
Assets					
Investments					
Cash and Short Term Investments	$ 222,016	$ -	$ -	$ -	$ 222,016
Equity - Corporate Stocks	262,253	-	-	-	262,253
Equity - Domestic Funds	68,552	-	-	6,194	74,746
Equity - International Stocks	113,162	-	-	-	113,162
Equity - International Funds	76,706	-	-	-	76,706
Equity - Hedge Funds	-	-	-	209,150	209,150
Equity - Real Asset Funds	2,987	-	-	84,062	87,049
Equity - Private Equity Funds	-	-	-	225,671	225,671
Fixed Income - Corporate Bonds	-	79,816	-	.	79,816
Fixed Income - Government Agency Bonds	-	26,671	-	-	26,671
Fixed Income - Municipals	-	6,678	-	-	6,678
Fixed Income - Treasury Securities	13,240	-	-	-	13,240
Fixed Income - Domestic Bond Funds	39,288	-	-	490	39,778
Deposits with trustees	178	-	-	-	178
Interest in perpetual trust	-	-	23,654	-	23,654
Total assets at fair value	$ 798,382	$ 113,165	$ 23,654	$ 525,567	$ 1,460,768

The following table displays the carrying value and estimated fair value of the University's financial instruments as of June 30, 2023 (in thousands):

	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)	Net Asset Value (NAV) as Practical Expedient	Total Fair Value as of June 30, 2023
Assets					
Investments					
Cash and Short Term Investments	$ 209,147	$ -	$ -	$ -	$ 209,147
Equity - Corporate Stocks	213,921	-	-		213,921
Equity - Domestic Funds	61,566	-	-	4,975	66,541
Equity - International Stocks	100,468	-	-	-	100,468
Equity - International Funds	77,785	-	-	-	77,785
Equity - Hedge Funds	-	-	-	176,229	176,229
Equity - Real Asset Funds	2,884	-	-	72,524	75,408
Equity - Private Equity Funds	-	-	-	202,007	202,007
Fixed Income - Corporate Bonds	-	77,060	-	-	77,060
Fixed Income - Government Agency Bonds	-	28,966	-	-	28,966
Fixed Income - International Bonds	-	3,949	-	-	3,949
Fixed Income - Treasury Securities	20,398	7,870	-	-	28,268
Fixed Income - Domestic Bond Funds	23,949	8	-	478	24,435
Deposits with trustees	169	-	-	-	169
Interest in perpetual trust	-	-	23,374	-	23,374
Total assets at fair value	$ 710,287	$ 117,853	$ 23,374	$ 456,213	$ 1,307,727

The University determines a valuation estimate based on techniques and processes which have been reviewed for propriety and consistency with consideration given to asset type and investment strategy. In addition, the funds and fund custodians may also use established procedures for determining the fair value of securities which reflect their own assumptions. Management makes best estimates based on information available. The following estimates and assumptions were used to determine the fair value of the financial instruments listed above:

- Short Term Investments – Short term investments are priced using quoted prices in active markets and are classified as Level 1.

- Equity Investments – Equity investments consist of, but are not limited to separate accounts, common trust funds and hedge funds. These assets consist of both publicly traded and privately held funds.

    - Publicly traded securities – These investments consist of domestic and foreign equity holdings. Securities traded on active exchanges are priced using unadjusted market quotes for identical assets and are classified as Level 1. Securities that are traded infrequently or that have comparable traded assets are priced using available quotes and other market data that are observable and are classified as Level 2.

    - Privately held funds – These investments consist of domestic, international, hedge, real asset, and private equity funds which are privately held. The valuations of the funds are calculated by the investment managers based on valuation techniques that take into account the market value of the underlying assets to arrive at a net asset value or interest in the fund shares. The investment shares or ownership interests in these funds may not be readily redeemable. If an active market exists for the fund and shares are redeemable at net asset value, these investments are classified as Level 2. In the absence of readily determinable fair value, those investments are valued using NAV as the practical expedient as outlined in Topic 820: Fair Value Measurement. Investments in such funds do carry certain risks including lack of regulatory oversight, interest rate risk and market risk.

- Fixed Income Investments – Fixed income securities include, but are not limited to, U.S. Treasury issues, U.S. Government Agency issues, corporate debt, and domestic and international bond funds. Fixed income security assets are valued using quoted prices in active markets and are classified as Level 1. Fixed income securities valued using quoted prices for similar securities or using pricing models based on observable market inputs are classified as Level 2. For investments in private bond funds, NAV as the practical expedient is used as fair value.

- Deposits with Trustees - Deposits with trustees consist of debt service funds and the unexpended proceeds of certain bonds payable. These funds are invested in short term, highly liquid securities and will be used for construction of, or payment of debt service on, certain facilities. These deposits are classified as Level 1.

- Interest in Perpetual Trust – The University is the beneficiary of certain perpetual trusts held and administered by others which are estimated at the fair value of the University's share of the underlying assets. Inputs used to estimate the fair value of the University's beneficial interest in perpetual trusts are considered unobservable and would be a Level 3 in the fair value hierarchy.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the University believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different estimate of fair value at the reporting date.

Changes in Level 3 Assets

The following table is a roll-forward of the statement of financial position amounts for financial instruments classified by the University within Level 3 of the fair value hierarchy defined above for the years ended June 30, 2024 and 2023 (in thousands):

	2024	2023
Beginning Balance at July 1	$ 23,374	$ 20,405
Total gains or losses (realized/unrealized) included in earnings	280	2,969
Ending Balance at June 30	$ 23,654	$ 23,374
Total gains or losses for the year included in earnings attributable to the change in unrealized gains or losses relating to assets still held at period end	$ 280	$ 2,969

Transfers into and out of Level 3 are typically the result of a change in the availability and the ability to observe market data which is considered a significant valuation input required by various models. Generally, as markets evolve, the data required to support valuations becomes more widely available and observable. There were no purchases, issuances, sales, settlements, or transfers in or out of Level 3 for the years ended June 30, 2024, and 2023.

Investments that Calculate Net Asset Value

Investments in certain entities that calculate net asset values at June 30, 2024 and 2023 are as follows (in thousands):

June 30, 2024	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Domestic Equity Funds	$ 6,194	$ -	Daily	Same day
Domestic Bond Funds	490	-	Daily	Same day
Real Asset Funds	84,062	80,080	N/A	N/A
Hedge Funds	209,150	-	Monthly, quarterly, annually	30 - 90 days
Private Equity Funds	225,671	175,860	N/A	N/A
Total	$ 525,567	$ 255,940		

June 30, 2023	Fair Value	Unfunded Commitments	Redemption Frequency	Redemption Notice Period
Domestic Equity Funds	$ 4,975	$ -	Daily	Same day
Domestic Bond Funds	478	-	Daily	Same day
Real Asset Funds	72,524	81,471	N/A	N/A
Hedge Funds	176,229	-	Monthly, quarterly, annually	30 - 90 days
Private Equity Funds	202,007	165,998	N/A	N/A
Total	$ 456,213	$ 247,469		

Investments in debt securities and equity securities consist primarily of investments in funds managed by external investment managers.

For the years ended June 30, 2024 and 2023, the University's investment management fees directly paid to external managers were approximately $12.9 million and $13.2 million, respectively.

8. Accounts Payable and Accrued Liabilities

Accounts payable and accrued liabilities at June 30, 2024 and 2023 consists of the following (in thousands):

	2024	2023
Trade payables	$ 27,066	$ 38,375
Accrued construction liabilities	9,363	8,361
Accrued payroll and related liabilities	12,951	23,593
Accumulated postretirement benefit	10,941	11,798
Asset retirement obligations	2,179	2,076
Other payables	3,528	2,843
Total accounts payable and accrued liabilities	$ 66,028	$ 87,046

9. Notes Payable and Long-term Debt

Notes payable and long-term debt at June 30, 2024 and 2023 consists of the following (in thousands):

	2024	2023
American University Taxable Bonds, Issue Series 2015 maturing in fiscal year 2045	$ 128,500	$ 128,500
American University Taxable Bonds, Issue Series 2017 maturing in fiscal year 2048	102,000	102,000
American University Taxable Bonds, Issue Series 2019 maturing in fiscal year 2049	510,000	510,000
Total debt	740,500	740,500
Series 2019 Tap premium	13,686	14,236
Deferred Financing Fees	(5,736)	(5,977)
Total notes payable and long-term debt	$ 748,450	$ 748,759

The principal balance of notes payable and long-term debt outstanding as of June 30, 2024 is due as follows (in thousands):

Year ending June 30:	
2025	$ -
2026	-
2027	-
2028	22,000
2029	-
2030	-
Thereafter	718,500
	$ 740,500

American University Bonds Payable

In June 2019, the University issued $410.0 million in Series 2019 taxable bonds to refinance certain existing indebtedness, to make termination payments with respect to certain related interest rate swap agreements and pay costs of issuance of the bonds. In January 2021, the University issued an additional $100.0 million in Series 2019 taxable bonds to finance or refinance the costs of various capital improvement projects of the University, to finance certain operating expenditures of the University and to pay costs of issuance. The 2019 bonds are general unsecured obligations of the University and bear a fixed 3.67% interest rate, payable semiannually and are due in full on April 1, 2049.

In October 2017, the University issued the Series 2017 taxable bonds to finance or refinance the costs of various capital projects across campus. The 2017 bonds are general unsecured obligations of the University, of which $22.0 million of the bonds bear interest at 3.12%, with a term of 10 years and $80.0 million of the bonds bear interest at 3.86%, with a term of 30 years.

In March 2015, the University issued the Series 2015 taxable bonds to fund facilities development projects. The 2015 bonds are general unsecured obligations of the University and bear a fixed 4.32% interest rate, payable semi-annually.

Taxable Commercial Paper Note Program

On December 15, 2011, the University established a $125.0 million taxable commercial paper note program. This program was established to provide short-term funding for capital projects and backup liquidity for operating needs. In some cases, the commercial paper for capital projects will be refunded when a longer-term financing is implemented. The notes can be issued for a maximum of 270 days, without being refinanced, and carry a floating taxable rate. At June 30, 2024 and 2023, there were no borrowings under the commercial paper note program.

10. Endowments

The University's endowment consists of approximately 640 individual funds established for scholarships and related academic activities. Its endowment includes both donor-restricted endowment funds and funds designated by the Board of Trustees to function as endowments. As required by generally accepted accounting principles, net assets associated with endowment funds, including funds designated by the Board of Trustees to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law

The Board of Trustees has interpreted the District of Columbia enacted version of Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the University classifies net assets with donor restrictions as (a) the original value of gifts to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund not classified in net assets with donor restrictions is classified as net assets with donor restriction until purpose and timing restrictions are met and amounts are appropriated for expenditure by the Board of Trustees of the University in a manner consistent with the standard of prudence prescribed by UPMIFA.

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

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

The endowment net assets composition by type of fund at June 30, 2024 is as follows (in thousands):

	Without donor restrictions	With donor restrictions	Total
Donor-restricted endowment funds	$ -	$ 307,665	$ 307,665
Board-designated endowment funds	724,358	-	724,358
Total endowment funds	$ 724,358	$ 307,665	$ 1,032,023

	Without donor restrictions	With donor restrictions	Total
Endowment net assets, July 1, 2023	$ 683,297	$ 277,869	$ 961,166
Total investment return	71,695	27,428	99,123
Contributions to endowment	504	12,937	13,441
Appropriation of endowment assets for expenditure	(31,139)	(10,569)	(41,708)
Other changes:			
Transfers to create board-designated endowment funds	-	-	-
Endowment net assets, June 30, 2024	$ 724,357	$ 307,665	$ 1,032,022

The endowment net assets composition by type of fund at June 30, 2023 is as follows (in thousands):

	Without donor restrictions	With donor restrictions	Total
Donor-restricted endowment funds	$ -	$ 277,869	$ 277,869
Board-designated endowment funds	683,297	-	683,297
Total endowment funds	$ 683,297	$ 277,869	$ 961,166

	Without donor restrictions	With donor restrictions	Total
Endowment net assets, July 1, 2022	$ 652,279	$ 256,626	$ 908,905
Total investment return	51,325	20,387	71,712
Contributions to endowment	1,277	10,590	11,867
Appropriation of endowment assets for expenditure	(28,084)	(9,734)	(37,818)
Other changes:			
Transfers to create board-designated endowment funds	6,500	-	6,500
Endowment net assets, June 30, 2023	$ 683,297	$ 277,869	$ 961,166

Funds with Deficiencies
From time to time, the fair value of the assets associated with donor-restricted endowments may fall below the level the donor or UPMIFA requires the University to retain as a fund of perpetual duration. In accordance with generally accepted accounting principles, deficiencies of this nature reported in net assets without donor restrictions were $0 and $140,380 at June 30, 2024 and 2023, respectively. These deficiencies resulted from market fluctuations that occurred shortly after the investment of new donor-restricted endowment funds and continued appropriation for certain programs deemed prudent by the Board of Trustees.

Return Objectives, Risk Parameters, and Strategies
The University's objective is to earn a predictable, long-term, risk-adjusted total rate of return to support the designated programs. The University recognizes and accepts that pursuing such a rate of return involves risk and potential volatility. The generation of current income will be a secondary consideration. The University has established a policy portfolio, or normal asset allocation. 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. While the policy portfolio can be adjusted from time to time, it is designed to serve for long-time horizons based upon long-term expected returns.

Spending Policy and How the Investment Objectives Relate to Spending Policy
The University has a policy of appropriating for distribution each year 5% of the endowment fund's average fair value calculated on an annual basis over the preceding three fiscal years. In establishing this policy, the University considered the long-term expected return on its endowment. Accordingly, over the long term, the University expects the current spending policy to allow its endowment to grow at an average of 3% annually. This is consistent with the University's objective to provide additional real growth through new gifts and investment return.

11. Employee Benefit Plans

Eligible employees of the University may participate in two contributory retirement plans, one administered by the Teachers Insurance and Annuity Association and College Retirement Equities Fund and the other administered by Fidelity Investments. Under these plans, contributions are fully vested immediately and are transferable by the employees to other covered employer plans. Participating employees contribute a minimum of 1% up to a maximum of 5% of their base salary. The University contributes an amount equal to twice the employee's contribution.

The University's contribution to these plans was approximately $21.2 million and $20.8 million for the years ended June 30, 2024 and 2023, respectively. The University expects to contribute approximately $21.0 million to the plans in fiscal year 2025.

Postretirement Healthcare Plan
The University provides certain healthcare benefits for retired employees. The plan is contributory and requires payment of deductibles. The University's policy is to fund the cost of medical benefits on the pay-as-you-go basis. The plan's measurement dates are June 30, 2024 and June 30, 2023, respectively.

Net periodic postretirement benefit cost for the years ended June 30, 2024 and 2023 includes the following components (in thousands):

	2024	2023
Service cost	$ 275	$ 271
Interest cost	544	525
Amortization of net loss	(420)	(394)
Amortization of prior service (credit)/cost	(64)	(64)
Net periodic postretirement benefit cost	$ 335	$ 338

The components of net periodic benefit cost other than the service cost component are included in the line item "Other nonoperating activities" in the consolidated statement of activity.

The following table sets forth the postretirement benefit plan's funded status and the amount of accumulated postretirement benefit plan costs for the years ended June 30, 2024 and 2023 using a measurement date of June 30 (in thousands):

	2024	2023
Change in Accumulated Postretirement Benefit Obligation:		
Accumulated postretirement benefit obligation at beginning of year	$ 11,798	$ 12,703
Service Cost	275	271
Interest Cost	544	525
Net actuarial (gain) loss	(731)	(701)
Plan participants' contributions	175	152
Benefits paid	(1,120)	(1,152)
Accumulated postretirement benefit obligation at end of year	$ 10,941	$ 11,798
Change in Fair Value of Plan Assets:		
Fair value of plan assets at beginning of year	$ -	$ -
Plan participants' contributions	175	152
Employer contributions	945	1,000
Benefits paid	(1,120)	(1,152)
Fair value of plan assets at end of year	$ -	$ -
Reconciliation of Funded Status:		
Funded status	$ (10,941)	$ (11,798)
Current liabilities	(970)	(945)
Noncurrent liabilities	(9,971)	(10,853)
Postretirement benefit liability	$ (10,941)	$ (11,798)

The following table sets forth the amounts not recognized in the net periodic benefit cost for the years ended June 30, 2024 and 2023 (in thousands):

	2024	2023
Amounts not Recognized in Net Periodic Benefit Cost:		
Net actuarial gain	$ (7,094)	$ (6,783)
Prior service credit	(536)	(600)
Amounts included in unrestricted net assets	$ (7,630)	$ (7,383)

Reclassifications to net periodic benefit cost of amounts previously recognized as changes in net assets without donor restrictions arising from a defined benefit plan but not included in net periodic benefit cost when they arose are as follows (in thousands):

	2024	2023
Amortization of net actuarial gain (loss)	$ (420)	$ (394)
Amortization of prior service credit	$ (64)	$ (64)

Amounts that have been recognized as changes in net assets without donor restrictions arising from a defined benefit plan but not yet reclassified as components of net periodic benefit cost are as follows (in thousands):

	2024	2023
New actuarial (gain) loss	$ (731)	$ (701)
New prior service credit	$ -	$ -

The weighted discount rate used in the actuarial valuation at the June 30, 2024 and June 30, 2023 measurement dates is as follows:

	2024	2023
End of year benefit obligation	5.20%	4.80%
Net periodic postretirement benefit cost	4.80%	4.30%
Remeasurement for plan amendment	N/A	N/A

A 8.0% healthcare cost trend rate was assumed for the year ended June 30, 2024, with the rates in the following fiscal years assumed to be 7.0%, 6.8% and 6.6% until reaching an ultimate rate of 4.5% in fiscal year 2038.

The expected benefit payments by the University to the plan are as follows (in thousands):

Year ending June 30,	
2025	970
2026	984
2027	996
2028	992
2029	991
2030-2032	4,695

12. Expenses

The University has developed and implemented a system of allocating expenses related to more than one function. These expenses are depreciation, interest and operations and maintenance of facility. Depreciation is allocated by individual fixed assets to the function utilizing that asset. Interest is allocated based on the use of borrowed money in the individual functional category. The operations and maintenance of plant and technology are divided into expenses used for the total institution not charged back to the operating units, and those expenses charged to some units but not all units. Technology costs include expenses associated with the operation and maintenance of administrative systems, network and telecommunications systems and related support for students, staff, and faculty. The allocation was determined through a study of departmental uses of the operations and maintenance, and technology budgets within each category.

For the year ended June 30, 2024, the University's program services and supporting services were as follows (in thousands):

	June 30, 2024					
Natural Account	**Instruction**	**Research**	**Public Service**	**Student & Academic Support**	**Institutional & Auxiliary Support**	**Total Expenses**
Salaries and benefits	$ 156,967	$ 51,015	$ 14,287	$ 106,095	$ 77,595	$ 405,959
Professional services and fees	40,179	11,279	9,003	6,350	56,221	123,032
Occupancy and other office expenses	14,418	9,394	1,812	38,912	46,686	111,222
Travel	2,500	2,140	31	4,793	535	9,999
Depreciation and amortization	11,851	-	749	3,887	20,604	37,091
Interest	8,901	-	589	2,903	14,737	27,130
Total operating expenses	234,816	73,828	26,471	162,940	216,378	714,433
Other nonoperating expenses	25	25	-	1,506	(154)	1,402
Total expenses	$ 234,841	$ 73,853	$ 26,471	$ 164,446	$ 216,224	$ 715,835

For the year ended June 30, 2023, the University's program services and supporting services were as follows (in thousands):

	June 30, 2023					
Natural Account	**Instruction**	**Research**	**Public Service**	**Student & Academic Support**	**Institutional & Auxiliary Support**	**Total Expenses**
Salaries and benefits	$ 152,088	$ 52,162	$ 14,221	$ 102,217	$ 71,606	$ 392,294
Professional services and fees	45,489	8,643	9,662	14,505	51,753	130,052
Occupancy and other office expenses	14,107	9,063	2,662	35,625	49,457	110,914
Travel	1,879	2,202	74	4,760	498	9,413
Depreciation and amortization	12,053	-	1,103	3,607	23,447	40,210
Interest	8,441	-	773	2,545	15,682	27,441
Total operating expenses	234,057	72,070	28,495	163,259	212,443	710,324
Other nonoperating expenses	-	404	-	793	152	1,349
Total expenses	$ 234,057	$ 72,474	$ 28,495	$ 164,052	$ 212,595	$ 711,673

For the years ended June 30, 2024 and 2023, the University's fundraising expenses totaled approximately $23.9 million and $23.2 million, respectively. The expenses are included in institutional support in the accompanying statements of activities.

13. Net Assets

Net assets with donor restrictions related to time or purpose consist of the following at June 30, 2024 and 2023 (in thousands):

	2024	2023
Unspent contributions and related investment income for instruction and faculty support	$ 155,881	$ 140,663
Gifts received for construction of facilities	13,786	12,772
	$ 169,667	$ 153,435

Net assets with donor restrictions in perpetuity were held, the income of which will benefit the following at June 30, 2024 and 2023 (in thousands):

	2024	2023
Permanent endowment funds, for scholarships and related academic activity	$ 156,569	$ 145,357
Interest in trust assets	23,654	23,374
Student loans	7,732	7,305
	$ 187,955	$ 176,036

14. Leases

The University leases equipment and properties under the terms of operating leases. The terms of these operating leases vary and could provide for increasing rent over the term of the lease. The University elected the practical expedients to combine lease and related non-lease components when transitioning its leases, and to not recognize a right of use asset or liability for short-term contracts, which are those with a term of twelve months or less. As most of the University's leases do not provide an implicit rate, the University uses its collateralized incremental borrowing rate in effect at the commencement date of the lease agreement in determining the present value of leases payments. The University's operating leases had a weighted average discount rate of 4.41% and 4.19% as of June 30, 2024 and 2023 and weighted average remaining terms of 1.5 years and 2.0 years as of June 30, 2024, and 2023, respectively.

The total cost of operating leases (in thousands) included in occupancy and other office expenses consists of the following for the year ended June 30

	2024	2023
Operating lease costs	$ 3,194	$ 3,433
Variable lease costs	202	245
Short term lease costs	177	71
Total	$ 3,573	$ 3,749

The University leases equipment under the terms of finance leases. The University's financing leases had a weighted average discount rate of 1.87% and 1.84% as of June 30, 2024 and 2023 and weighted average remaining terms of 2.2 years and 3.2 years, respectively.

The total cost of finance leases (in thousands) consists of the following for the years ended June 30:

	2024	2023
Amortization on finance lease assets included in depreciation and amortization	$ 35	$ 35
Interest on Finance lease liabilities included in interest on indebtness	37	44
Total	$ 72	$ 79

Minimum lease payments under these agreements are as follows (in thousands) as of June 30, 2024:

	Finance Lease	Operating Leases
Year ending June 30:		
2025	$ 66	$ 3,197
2026	66	858
2027	24	263
2028	-	188
2029	-	128
Thereafter	-	42
Total minimum lease payments	156	4,676
Less: amounts representing interest	(42)	(420)
Present value of lease liabilities	$ 114	$ 4,256

Rent expenses in the years ended June 30, 2024 and 2023 were approximately $3.4 million and $3.5 million, respectively.

15. Income Taxes

The Airlie Foundation, a subsidiary acquired by the University in September 2016, is a taxable non-stock corporation. The University accounts for income taxes based on the liability method, and deferred tax assets and liabilities are recognized for the future tax consequence attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and operating loss and tax credit carryforwards. Deferred taxes are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred taxes of a change in tax rates is recognized in results of operations in the period that includes the enactment date. Valuation allowances are recorded against deferred tax assets when it is more likely than not that some portion or all of a deferred tax asset will not be realized. The ultimate realization of deferred tax assets is dependent upon the generation of future taxable income during the period in which those temporary differences become deductible. As Airlie has historically generated operating losses and, therefore, has no earnings history, a full valuation allowance has been applied against the US net deferred tax assets during the years ended June 30, 2024 and 2023. Management considers the scheduled reversal of deferred tax liabilities, projected future taxable income, and tax planning in evaluating whether it is more likely than not that deferred tax assets will be realized.

The University has analyzed its filing positions related to Airlie in each jurisdiction where required to file income tax returns and believes that its income tax filing positions will be sustained on audit. To date, Airlie has not been audited by the IRS or any state jurisdictions and remains subject to examination by U.S. federal and various state authorities for the years 2016 forward. Additionally, Airlie has not been assessed interest and/or penalties by taxing jurisdictions. In the event Airlie is assessed interest and/or penalties, those costs will be classified in the consolidated statements of activities as income tax expense.

Airlie Foundation paid $0 for income taxes for the years ending June 30, 2024 and June 30, 2023.

16. Commitments and Contingencies

At June 30, 2024 and 2023, commitments of the University under contracts for construction of plant facilities amounted to approximately $61.9 million and $21.2 million, respectively.

Amounts received and expended by the University under various federal programs are subject to audit by governmental agencies. In the opinion of the University's administration, audit adjustments, if any, will not have a significant effect on the financial position, changes in net assets, or cash flows of the University.

The University is a party to various litigations, arising out of the normal conduct of its operations. In the opinion of the University's administration, the ultimate resolution of these matters will not have a materially adverse effect on the University's consolidated financial position, changes in net assets or cash flows.

17. Related Parties

Transactions with related parties occur in the ordinary course of the University's activities. University related parties may include affiliates, trusts, and investment holdings. In addition, related parties may also include board members and senior management, their family members, and any entities with which they are associated that may do business with the University. The University received $3.2 million and $3.7 million of contributions from the Board of Trustees during the years ended June 30, 2024 and 2023, respectively. Also, for the years ended June 30, 2024 and 2023, approximately $7.8 million and $9.8 million, respectively, were included in contribution receivable from members of the Board of Trustees in the accompanying statement of financial position.

18. Subsequent Events

The University has performed an evaluation of subsequent events through November 22, 2024 is the date the financial statements were issued. Nothing was noted which affects the financial statements as of June 30, 2024.