Consolidated Financial Statements and Report of Independent Certified Public Accountants

Lehigh University

June 30, 2024 (with summarized comparative financial information for June 30, 2023)

Contents

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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

Board of Trustees
Lehigh University

Opinion

We have audited the consolidated financial statements of Lehigh University and its and subsidiaries (the "University"), which comprise the consolidated statement of financial position as of June 30, 2024, and the related consolidated statements of activities and cash flows for the year then ended, and the related notes to the 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 the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for opinion

We conducted our audit of the consolidated financial statements 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 Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the University and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Other matter

The consolidated financial statements of the University as of and for the year ended June 30, 2023 were audited by other auditors, who expressed an unmodified opinion on those consolidated financial statements in their report dated October 10, 2023. The accompanying summarized comparative information as of and for the year ended June 30, 2023, was derived from the 2023 audited financial statements.

Responsibilities of management for the 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 financial statements are available to be issued.

Auditor's responsibilities for the audit of the 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 auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with 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.

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 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.

Grant Thornton LLP

Philadelphia, Pennsylvania
October 17, 2024

Lehigh University

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

June 30,
(In thousands)

	2024	2023
ASSETS		
Cash and cash equivalents	$ 29,703	$ 32,992
Accounts receivable, net (Note 6)	22,452	19,237
Prepaid expenses and other assets	25,096	23,066
Contributions receivable, net (Note 8)	31,945	20,811
Notes receivable, net	9,033	8,970
Investments (Notes 3 and 5)	2,445,280	2,340,083
Funds held in trust by others	5,051	4,803
Property, plant, and equipment, net (Note 7)	770,795	747,126
Total assets	$ 3,339,355	$ 3,197,088
LIABILITIES AND NET ASSETS		
Accounts payable and accrued expenses	$ 60,789	$ 56,101
Deferred revenues	15,848	18,473
Annuity payment obligations	18,000	23,563
Other liabilities (Notes 11, 13, and 16)	97,031	101,949
Bonds and notes payable (Note 10)	484,255	491,561
Total liabilities	675,923	691,647
NET ASSETS (Notes 4 and 9)		
Without donor restrictions	1,297,175	1,243,615
With donor restrictions	1,366,257	1,261,826
Total net assets	2,663,432	2,505,441
Total liabilities and net assets	$ 3,339,355	$ 3,197,088

The accompanying notes are an integral part of these consolidated financial statements.

Lehigh University

CONSOLIDATED STATEMENT OF ACTIVITIES

Year ended June 30, 2024
(with summarized comparative financial information for June 30, 2023)
(In thousands)

	2024 Without Donor Restrictions	2024 With Donor Restrictions	2024 Total	2023
Support and revenues				
Tuition and fees, net	$ 246,127	$ -	$ 246,127	$ 236,100
Federal grants and contracts	47,987	-	47,987	42,033
State and local grants and contracts	9,902	-	9,902	7,994
Private grants and contracts	4,963	-	4,963	4,677
Contributions	15,594	-	15,594	19,036
Investment return, net (Note 3)	105,012	-	105,012	96,622
Auxiliary enterprises, net	59,138	-	59,138	54,307
Independent operations (Note 1)	13,835	-	13,835	12,990
Other sources	11,803	-	11,803	11,585
Net assets released from restrictions	3,114	(3,114)	-	-
Total support and revenues	517,475	(3,114)	514,361	485,344
Expenses				
Salaries and wages	220,989	-	220,989	204,858
Employee benefits	71,050	-	71,050	66,149
Purchased services	53,616	-	53,616	46,473
Occupancy	43,904	-	43,904	40,216
Depreciation	41,931	-	41,931	41,433
Interest	18,861	-	18,861	18,942
Independent operations	15,875	-	15,875	14,518
Other business expenses	67,939	-	67,939	62,464
Total expenses (Note 12)	534,165	-	534,165	495,053
Operating loss	(16,690)	(3,114)	(19,804)	(9,709)
Nonoperating activity				
Investment return, net (Note 3)				
University	51,810	70,636	122,446	53,270
Independent operations	4,997	-	4,997	1,868
Gifts and trusts	2,985	38,352	41,337	25,594
Net assets released from restrictions and changes in donor intent	8,283	(8,283)	-	-
Change in fair value of interest rate swaps (Note 11)	1,254	-	1,254	4,542
Changes in postretirement health benefits obligation other than net periodic benefit cost (Note 13)				
University	6,481	-	6,481	3,730
Independent operations	248	-	248	99
Net periodic benefit costs other than service costs (Note 13)				
University	(2,457)	-	(2,457)	(2,339)
Independent operations	(78)	-	(78)	(75)
Other	(3,273)	6,840	3,567	(5,808)
Nonoperating income	70,250	107,545	177,795	80,881
CHANGE IN NET ASSETS	53,560	104,431	157,991	71,172
Net assets at beginning of year	1,243,615	1,261,826	2,505,441	2,434,269
Net assets at end of year	$ 1,297,175	$ 1,366,257	$ 2,663,432	$ 2,505,441

The accompanying notes are an integral part of this consolidated financial statement.

Lehigh University

CONSOLIDATED STATEMENTS OF CASH FLOWS

Years ended June 30,
(In thousands)

	2024	2023
Cash flows from operating activities:		
Change in net assets	$ 157,991	$ 71,172
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Gifts and trusts restricted for long-term investment	(26,794)	(31,585)
Noncash contributions	(2,750)	(2,673)
Investment earnings restricted for long-term investment	(1,220)	(1,676)
Net realized and unrealized gains on investments	(209,823)	(130,105)
Change in fair value of interest rate swap agreements	(1,254)	(4,542)
Payment of annuity obligations	1,304	1,305
Other nonoperating activity	1,884	20
Depreciation and amortization	42,765	42,641
Independent operations provision for uncollectible accounts	(163)	35
University provision for uncollectible accounts	49	51
Change in operating assets and liabilities:		
Accounts receivable	(3,092)	788
Contributions receivable	(11,134)	8,073
Accounts payable and accrued expenses	4,688	2,505
Deferred revenues	(2,625)	2,055
Annuity payment obligations	(5,563)	6,315
Deposits held for others	(188)	(36)
Accrued postretirement benefit cost	(3,929)	(956)
Prepaid expenses and other assets	(777)	(2,688)
Other liabilities	1,022	-
Net cash used in operating activities	(59,609)	(39,301)
Cash flows from investing activities:		
Proceeds from sale and maturity of investments	650,302	1,098,753
Purchases of investments	(544,243)	(1,038,048)
Student loans and other notes advanced	(1,074)	(798)
Independent operations loans advanced	(1,041)	(948)
Student loans and other notes collected	612	735
Independent operations loans collected	1,411	728
Purchase of land, buildings, and equipment	(67,896)	(61,958)
Net cash provided by (used in) investing activities	38,071	(1,536)
Cash flows from financing activities:		
Repayments on bonds	(7,240)	(6,970)
Gifts and trusts restricted for long-term investment	26,794	31,584
Investment earnings restricted for long-term investment	1,220	1,676
Decrease in refundable loan funds	(186)	(166)
Payment of annuity obligations	(1,304)	(1,305)
Net cash provided by financing activities	19,284	24,819
NET DECREASE IN CASH AND CASH EQUIVALENTS	(2,254)	(16,018)
Cash, cash equivalents, and restricted cash at beginning of year	32,865	48,883
Cash, cash equivalents, and restricted cash at end of year	$ 30,611	$ 32,865
Reconciliation of cash, cash equivalents, and restricted cash reported within the statement of financial position that sum to the total of the same such amounts shown above		
Cash and cash equivalents	$ 29,703	$ 32,992
Cash restricted for long-term investment purposes	908	(127)
Total cash, cash equivalents, and restricted cash shown above	$ 30,611	$ 32,865
Supplemental data:		
Cash paid for interest	$ 19,893	$ 18,975
Accounts payable and accrued expenses for property, plant, and equipment	10,122	6,296

The accompanying notes are an integral part of these consolidated financial statements.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

Lehigh University (the University), an independent, nondenominational, coeducational university, is incorporated in the Commonwealth of Pennsylvania as a nonprofit corporation and is a tax-exempt organization as described in Section 501(c)(3) of the Internal Revenue Code of 1986, as amended. The University is accredited by the Middle States Association of Colleges and Schools.

Founded in 1865, the University has approximately 5,800 undergraduates within its major units - the College of Arts and Sciences, the College of Business, the College of Health, and the P.C. Rossin College of Engineering and Applied Science - and approximately 1,800 students enrolled in graduate programs offered through these colleges and in the College of Education.

The University's subsidiary organization, LU Properties, LLC (LU Properties), a Pennsylvania limited liability company, serves as Manager for limited liability companies that were established as a result of a real estate gift. The University is the sole member of all of the limited liability companies. As Manager, LU Properties is responsible for the strategic and operational aspects of the real estate investment. The results of their operations are shown as nonoperating investment return in the University's consolidated statement of activities.

LU Properties also serves as Manager for South River Investments LLC (South River). South River, a Pennsylvania limited liability company, was formed to own and develop certain real estate properties in the local community. The results of South River's operations are included in the expenses presented in Note 12, *Functional Allocation of Expenses*.

The Ben Franklin Technology Partners of Northeastern PA (BFTP) and Manufacturers Resource Center (MRC) are also wholly owned subsidiaries of the University. The results of their operations are shown as independent operations in the University's consolidated statement of activities.

BFTP is an entity that encourages public and private sector cooperation in stimulating economic growth. BFTP provides funds to its clients under the terms of its early stage loan programs and manufacturer grants.

MRC provides resources to help small and medium-sized regional manufacturing companies enhance their ability to compete successfully by providing consulting, education, and strategic partnering services.

The majority of the independent operations operating revenue reported in the University's consolidated statement of activities relates to BFTP and MRC revenue received in the form of federal and state grants, client fees for services, and investment return.

The assets and liabilities of all subsidiary organizations appear in the respective line items of the consolidated statements of financial position.

Basis of Presentation

The accompanying consolidated financial statements of the University include all subsidiary organizations and have been prepared on the accrual basis of accounting and in conformity with U.S. generally accepted accounting principles (GAAP). All significant inter-entity balances and transactions have been eliminated.

The University's consolidated financial statements are presented in accordance with the external financial reporting requirements for not-for-profit organizations, which include three basic financial statements and the classification of resources into two separate classes of net assets, as follows:

Without Donor Restrictions - Net assets that are free of donor-imposed restrictions. Net assets without donor restrictions may be designated for specific purposes by action of the Board of Trustees.

With Donor Restrictions - This category includes net assets subject to donor-imposed restrictions that may be met by actions of the University or by the passage of time. Also included in this category are net assets subject to donor-imposed restrictions to be maintained permanently by the University. Donors of these assets generally permit the University to use all or part of the investment return on related investments for general or specific purposes in accordance with a Board approved spending policy.

Note 9, *Net Assets*, provides additional information regarding the composition of net assets with and without donor restrictions.

Nonoperating activities reflect transactions of a long-term investment or capital nature, including contributions restricted for acquisitions of facilities and equipment, contributions restricted with donor-imposed stipulations, change in the fair value of interest rate swaps, gains and losses on investments net of the University's spending policy, certain postretirement benefits-related changes in net assets and other non-recurring activities.

Cash Equivalents

All highly liquid investments with an original maturity of three months or less, except those held for long-term investment purposes, are considered to be cash equivalents.

Investments

Investments are stated at fair value or net asset value (NAV) as a practical expedient to fair value (Notes 3 and 5).

Unrealized and realized gains and losses on investments, net of spending policy, are included in nonoperating investment return in the consolidated statement of activities.

The University's investments are exposed to various risks such as interest rate, currency, market, and credit risks. Such risks, and the resulting investment security values, may be influenced by changes in economic conditions and market perceptions and expectations. Accordingly, it is at least reasonably possible that changes in the values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the consolidated statements of financial position.

Contributions and Government Grants

Contributions received, including unconditional promises to give, are recognized as revenues when the donor's commitment is received. Unconditional promises to give are recognized at the estimated present value of the future cash flows, net of allowances. Allowances for uncollectible amounts are recorded based on management's estimate of realizability of the underlying promises to give.

Unconditional contributions, gifts, and grants with no purpose or time restrictions are reported as revenues without donor restrictions. Contributions made towards long-lived assets are held as donor restricted until the asset is completed and placed into service. At such time, the contribution is considered to be released from restriction and reclassified to net assets without donor restrictions. Contributions that are released from restriction within the year received are classified as net assets without donor restrictions. Gifts of noncash assets are recorded at their fair value.

A contribution, gift, or grant is conditional if an agreement includes a barrier that must be overcome and either a right of return of assets transferred or a right of release of a promisor's obligation to transfer assets. The presence of both a barrier and a right of return or right of release indicates that a recipient is not entitled to the contribution until it has overcome the barrier(s) in the agreement. Conditional promises to give are not recognized until they become unconditional, that is, when the barrier(s) in the agreement are overcome.

Grants from federal and state government agencies are included as federal and state grants and contracts in the consolidated statement of activities and are recognized as qualifying expenses are incurred.

The University receives grants and contracts revenue from various government agencies and private sources for the support of research, training, and other sponsored programs. Revenues associated with the direct costs of these programs are recognized as the related costs are incurred. Indirect cost reimbursements from federal agencies are based on predetermined rates negotiated with the University's cognizant agency, the Office of Naval Research, and are in effect through fiscal year 2024. These rates are also used for other sponsored programs except where separately negotiated. Indirect cost reimbursements from all sources totaled $13.5 million and $12.6 million in 2024 and 2023, respectively.

Outstanding amounts related to conditional federal grants not recognized as of June 30, 2024 were approximately $78.1 million.

Split-Interest Agreements and Annuities Payable

The University's split-interest agreements with donors consist primarily of annuity, life income, and charitable trusts for which the University serves as trustee. A majority of the assets held in these trusts are included in investments. Contribution revenues are recognized at the date the trusts are established after recording liabilities for the present value of the estimated future payments to be made to the donors and/or other beneficiaries. The liabilities are adjusted during the term of the trusts for changes in the value of the assets and changes in the estimated present value of future cash outflows and other changes in the estimates of future benefits.

The annuities payable represent the net present value of future cash outflows over the annuitant's life expectancy, as required by the annuity agreements. The net present value is calculated using a discount rate range of 1.23% to 7.50%. The University is required by the laws of certain states to register and maintain reserves against charitable gift annuities. Such required reserves amounted to approximately $10.5 million and $10.7 million as of June 30, 2024 and 2023, respectively, and are reported within investments in the consolidated statements of financial position. Actual reserves meet or exceed the requirements and are invested in accordance with the laws of the state in which the University offers gift annuities.

Property, Plant, and Equipment

Property, plant, and equipment are carried at cost or at the fair market value at the date of the gift, less accumulated depreciation. Depreciation is computed on a straight-line basis over the estimated useful lives of the related asset. Depreciation is not recorded on land or collections. Depreciable assets and lives generally are as follows:

Buildings	50 to 60 years
Equipment, software, and books	5 to 10 years
Leasehold and other improvements	10 to 20 years

Tuition and Fees

Tuition and fees are reported net of financial aid that effectively reduces the amount of tuition and fees collected from students. Net tuition and fees are recorded as revenue during the year that the related academic services are rendered. Financial aid amounts offset against gross tuition and fees for 2024 and 2023 were $154.1 million and $138.6 million, respectively. Generally, students who adjust their course load or withdraw completely prior to completion of 60% of the semester may receive a full or partial refund in accordance with the University's refund policy. Refunds issued reduce the amount of revenue recognized.

Auxiliary Enterprises

Auxiliary enterprises revenue, primarily from room and board, is reported net of financial aid that effectively reduces the amount collected from students. Financial aid amounts offset against auxiliary enterprises revenue for 2024 and 2023 were $5.2 million and $4.6 million, respectively. Net room and board revenues are reported in the fiscal year in which the academic programs and services are delivered.

Asset Retirement Liabilities

The University recognizes a liability for legal obligations associated with asset retirements in the period in which the obligation is incurred if a reasonable estimate of the fair value of the obligation can be made. When the liability is initially recorded, the University capitalizes the cost of the asset retirement obligation by increasing the carrying amount of the related long-lived asset. The liability is accreted to its present value each period, and the capitalized cost associated with the retirement obligation is depreciated over the useful life of the asset. Upon settlement of the obligation, any difference between the cost to settle the asset retirement obligation and the liability recorded is recognized as a gain or loss in the consolidated statement of activities.

Deferred Revenues

Cash received for specific activities that have not yet taken place are recorded as deferred revenues. Significant components of deferred revenues include student tuition and educational fees received in advance of services to be rendered and unexpended advances of grant and contract revenues.

Use of Estimates

The preparation of the University's consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the dates of the consolidated statements of financial position and the reported amounts of revenue and expense included in the consolidated statement of activities. Actual results could differ from such estimates.

Recent Accounting Pronouncement

The University adopted Accounting Standards Update (ASU) 2016-13, *Measurement of Credit Losses on Financial Instruments*, as of July 1, 2023. This ASU addresses the measurement of credit losses on financial instruments and replaces the incurred loss impairment methodology with a methodology that reflects expected credit losses and requires consideration of a broader range of information to inform credit loss estimates. The University evaluated the ASU and determined it does not have a significant impact on its consolidated financial statements.

Prior Year Summarized Financial Information

The consolidated statement of activities includes certain prior year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with GAAP. Accordingly, such information should be read in conjunction with the University's consolidated financial statement for the year ended June 30, 2023, from which the summarized information was derived.

Reclassifications

Certain amounts from the prior year have been reclassified to conform to the current year presentation. There were no changes to total assets, liabilities, net assets, revenues, expenses or changes in net assets as previously reported in the fiscal 2023 consolidated financial statements.

Operating Leases

The University recognizes a right-of-use (ROU) asset and a lease liability for all leases with an initial term greater than 12 months at the lease commencement date. Lease liabilities represent the present value of the future lease payments over the expected lease term, which includes options to extend or terminate the lease when it is reasonably certain those options will be exercised. The present value of the lease liability is determined using a risk-free rate at lease inception. The University recognizes lease expense on a straight-line basis over the lease term. The University determines if an arrangement is or contains a lease at contract inception. Where an arrangement is a lease, the University determines if it is an operating lease or a finance lease.

Income Taxes

The University has been recognized by the Internal Revenue Service (IRS) 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. There was no provision for income taxes due on unrelated business income in the accompanying consolidated financial statements. Management has analyzed the tax positions taken by the University, and has concluded that as of June 30, 2024 and 2023 there are no material uncertain positions taken or expected to be taken that would require recognition of a liability (or asset) or disclosure in the consolidated financial statements. The University is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress.

NOTE 2 - FINANCIAL ASSETS AND LIQUIDITY RESOURCES

Financial assets and liquidity resources available within one year for general expenditures, such as operating expenses, scheduled principal payments on debt, and capital construction costs not financed with debt, at June 30, are as follows (in thousands):

	2024	2023
Financial assets:		
Cash and cash equivalents	$ 21,817	$ 24,621
Accounts receivable, net	21,852	18,638
Contributions without donor restrictions due in one year or less	7,339	4,462
Investments not subject to donor restrictions or board designations	200,183	229,722
	251,191	277,443
Liquidity resources:		
Commercial paper, $75 million authorized	75,000	75,000
Total available within one year	$ 326,191	$ 352,443

The University manages its financial assets to be available as its general expenditures, liabilities, and other obligations come due. In addition, the University invests cash in excess of daily requirements in short-term investments. The University has both operating reserves and physical plant renewal and replacement reserves set aside to be drawn upon to meet its operating and contractual obligations. The reserves are held in the cash and cash equivalents line on the statements of financial position.

The University has a $75 million taxable commercial paper program. The commercial paper program can be used for the interim financing of capital projects and to finance general operating costs of the University, if necessary. These secured taxable promissory notes can be issued in various amounts with maturities no greater than 270 days. At June 30, 2024 and 2023, there were no outstanding notes.

In June 2024, the University entered into a $50.0 million revolving line of credit issued by The Northern Trust Company. The line of credit had an interest rate of 5.88% (term SOFR +.55%) as of June 30, 2024 and matures on June 12, 2026. As of June 30, 2024, the University has not drawn any amount against the available line of credit. The line of credit is secured by a pledge of, and security interest in, the University's gross revenues.

In addition, the University's governing board and senior management have designated $552.3 million as of June 30, 2024 to function as endowment and $275.7 million as long-term investments. Although the University does not intend to spend from its board-designated investments other than amounts appropriated for general expenditure as part of its annual budget approval and appropriation process, these funds could be made available, if necessary. However, both the donor restricted and board-designated endowments contain investments with provisions that limit or prevent liquidation that would reduce the total investments that could be made available (Note 5).

Distributions from endowments with donor restrictions for the fiscal year ending June 30, 2025 are anticipated to be approximately $43.2 million. Distributions from endowments without donor restrictions for the fiscal year ending June 30, 2025 are anticipated to be approximately $38.2 million. Such distributions will be funded from fiscal year 2024 net investment return and from endowment investment return earned in prior years if income is less than the University's spending policy. Note 4, *Endowment Net Assets*, provides additional information about the University's endowment spending policy.

NOTE 3 - INVESTMENTS

Investments by major class at June 30 are as follows (in thousands):

	2024	2023
Short-term investments	$ 36,811	$ 39,420
Fixed income investments:		
U.S. government	234,636	166,413
Corporate	127,087	158,054
Other	1	1
Corporate stocks	27,902	23,211
Mutual and exchange-traded funds	364,391	276,886
Real estate	42,159	41,508
Alternative investments:		
Public equity	286,954	461,077
Absolute return	504,919	505,175
Private investments	816,330	664,430
Life insurance and other investments	4,090	3,908
Total investments	$ 2,445,280	$ 2,340,083

The University's investments are comprised of the assets of the University's endowment, real estate held for investment purposes, assets supporting certain split interest agreements, and other investments for general operating purposes. Investments are reported at fair value or NAV as a practical expedient to fair value. Note 5, *Fair Value Measurements*, provides additional information about inputs used to determine fair value and about investments reported at NAV.

The majority of endowment and annuity fund investments are combined in investment pools with each individual account subscribing to or disposing of shares on the basis of the fair 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. The components of total investment return are reflected below (in thousands). Investment earnings for the years ended June 30 are net of investment expenses.

	2024	2023
Investment earnings	$ 24,052	$ 22,800
Net realized and unrealized gains	203,406	127,092
	227,458	149,892
Independent operations	6,985	3,563
Total	$ 234,443	$ 153,455

Investment return, as reflected in the consolidated statement of activities, consists of the following components (in thousands):

	2024	2023
Operating:		
Endowment spending distribution	$ 77,710	$ 72,942
Spending distribution - other	12,866	12,277
Other investment earnings	14,436	11,403
	105,012	96,622
Independent operations	1,988	1,695
Total operating	107,000	98,317
Nonoperating:		
Endowment spending distribution	1,961	1,871
Other investment (losses), net	(741)	(195)
Net realized and unrealized gains net of spending distribution	121,226	51,594
	122,446	53,270
Independent operations	4,997	1,868
Total nonoperating	127,443	55,138
Total investment return	$ 234,443	$ 153,455

NOTE 4 - ENDOWMENT NET ASSETS

The University's endowment consists of approximately 2,900 individual funds established for a variety of purposes. Its endowment includes both donor-restricted funds and funds designated by the Board of Trustees to function as endowments (board-designated).

From time to time, the fair value of assets associated with donor restricted endowment funds may fall below the original gift amount. Deficiencies of this nature are reported in net assets with donor restrictions. These deficiencies resulted from unfavorable market fluctuations that occurred after the investment of the new donor restricted contributions.

Underwater donor restricted endowment funds at June 30, are as follows (in thousands):

	2024	2023
Fair value of underwater endowment funds	$ 4,167	$ 15,889
Original endowment gift amounts	6,857	18,971
Underwater amounts	$ (2,690)	$ (3,082)

Endowment funds include funds actively managed by the University as part of a single commingled investment pool as well as a limited number of individual funds that are separately invested or held in trust by others. The principal financial objective of the endowment pool is that the real purchasing power of the endowment principal should be preserved and, if possible, enhanced, to help ensure the University's financial future. The productivity of the endowment pool must strike a balance between the preservation of principal in real terms for perpetuity and supporting a spending policy that sustains the educational mission of the University.

The Prudent Investor Rule of the Commonwealth of Pennsylvania views investment prudence on the part of the fiduciary from the standpoint of the total portfolio. Therefore, any reasonable investment may be considered for endowment pool assets as long as the risk and return tradeoff of the entire portfolio is prudent. The University's investment policy includes a target asset allocation, well diversified among suitable asset classes that is expected to generate, on average, the level of expected return necessary to meet endowment objectives at a responsible level of volatility consistent with achieving that return. To monitor the effectiveness of the investment strategy of the endowment pool, performance goals are established to exceed the expected real rate of return, established benchmark indices, and the median return of comparable endowment funds.

Commonwealth of Pennsylvania law permits the University to allocate to operating income a minimum of 2% and a maximum of 7% of a three-year moving average of the market value of the endowed assets. Unless the terms of the gift instrument state otherwise, accumulated endowment gains may be spent over time by the University.

The University has an endowment spending policy based on 5% of a three-year moving average market value with a minimum increase of -2% per year and a maximum increase of 5% per year over the prior year's spending rate.

Any income earned in excess of the spending limit is reinvested while funds may be withdrawn from investment return earned in prior years if income is less than the spending policy provision. This is designed to insulate investment policy from budgetary pressures, and to insulate program spending from fluctuations in capital markets. Average annual spending rates per share were 4.5% and 4.4% for fiscal years 2024 and 2023, respectively.

Endowment net asset composition as of June 30, 2024 (in thousands):

	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted endowment funds (corpus)	$ -	$ 654,368	$ 654,368
Board-designated endowment funds (corpus)	237,291	-	237,291
Accumulated gains on endowment funds	314,994	616,906	931,900
Total endowment net assets	$ 552,285	$ 1,271,274	$ 1,823,559

Endowment net asset composition as of June 30, 2023 (in thousands):

	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted endowment funds (corpus)	$ -	$ 633,500	$ 633,500
Board-designated endowment funds (corpus)	233,358	-	233,358
Accumulated gains on endowment funds	283,560	552,004	835,564
Total endowment net assets	$ 516,918	$ 1,185,504	$ 1,702,422

Changes in endowment net assets for the years ended June 30, 2024 and 2023 (in thousands):

	Without Donor Restrictions	With Donor Restrictions	Total
Net assets, June 30, 2022	$ 501,572	$ 1,133,056	$ 1,634,628
Investment return, net	48,968	68,517	117,485
Contributions and other additions, net	414	23,687	24,101
Endowment distributions	(35,136)	(39,677)	(74,813)
Other changes	1,100	(79)	1,021
Total change in endowment funds	15,346	52,448	67,794
Net assets, June 30, 2023	516,918	1,185,504	1,702,422
Investment return, net	68,910	108,189	177,099
Contributions and other additions, net	150	19,676	19,826
Endowment distributions	(37,407)	(42,264)	(79,671)
Other changes	3,714	169	3,883
Total change in endowment funds	35,367	85,770	121,137
Net assets, June 30, 2024	$ 552,285	$ 1,271,274	$ 1,823,559

NOTE 5 - FAIR VALUE MEASUREMENTS

The three levels of the fair value hierarchy are described below. The hierarchy gives the highest priority to unadjusted quoted or published prices in active markets for identical assets or liabilities (Level 1 measurements) and lowest priority to unobservable inputs (Level 3 measurements):

Level 1 - Unadjusted quoted or published prices in active markets that are accessible at the measurement date for identical assets or liabilities.

Level 2 - Quoted prices for instruments that are identical or similar in markets that are not active and model-derived valuations for which all significant inputs are observable, either directly or indirectly in active markets.

Level 3 - Prices or valuations that require inputs that are both significant to the fair value measurement and are unobservable.

The hierarchy requires the use of observable market data when available. The level in the fair value hierarchy within which a fair value measurement in its entirety falls is based on the lowest level input that is significant to the measurement.

The following discussion describes the valuation methodologies used for assets and liabilities measured at fair value:

Funds Held in Trust by Others

Funds held in trust by others are held and administered by outside trustees, with the University deriving income or a residual interest from the assets of such funds. Funds held in trust by others are recognized at the estimated fair value of the assets or the present value of the future cash flows when the irrevocable trust is established or the University is notified of its existence.

Split-Interest Agreements

Depending on the type of agreement, fair value measurements for split-interest agreements are performed either at inception or on a recurring basis. Fair value of the residual gift is generally based on the present value of expected future cash flows including payments to beneficiaries and investment return, and Level 3 inputs include the life expectancy of the donor and other beneficiaries as well as financial assumptions.

Interest Rate Swaps

The fair value of the University’s interest rate swap obligation is based on valuations provided by an independent party, taking into account current interest rates and the current creditworthiness of the swap counterparties, which are considered Level 2 inputs to fair value.

Investments

Fair value of equity securities (short-term investments, corporate stocks, mutual and exchange-traded funds) has been determined from observable market or published quotations, when available. Fair value for fixed income investments and certain real estate funds is based upon prices provided by the University’s investment managers and custodian banks. Both the investment managers and the custodian banks use a variety of pricing sources to determine fixed maturity market valuations.

Estimated fair value of alternative investments that are not readily marketable is recorded at the NAV as provided by external investment managers as a practical expedient for fair value. The University reviews and evaluates the values provided by external investment managers and agrees with the valuation methods and assumptions used in determining the NAV of those investments.

Investments that are measured at fair value using the NAV per share (or its equivalent) practical expedient have not been categorized in the fair value hierarchy. The fair value amounts presented in the tables below are intended to permit reconciliation of the fair value hierarchy to the amounts presented in the statements of financial position.

The following table presents the University's fair value hierarchy for investments at June 30, 2024 (in thousands):

	Fair Value Measurements at Reporting Date Using				
	Level 1	Level 2	Level 3	NAV	Total
Short-term investments	$ 36,811	$ -	$ -	$ -	$ 36,811
Fixed income investments:					
U.S. government	220,645	13,991	-	-	234,636
Corporate	-	127,087	-	-	127,087
Other	-	1	-	-	1
Corporate stocks	27,902	-	-	-	27,902
Mutual and exchange-traded funds	364,391	-	-	-	364,391
Real estate	-	42,159	-	-	42,159
Alternative investments:					
Public equity	-	-	-	286,954	286,954
Absolute return	-	-	-	504,919	504,919
Private investments	-	-	-	816,330	816,330
Life insurance and other	4,085	5	-	-	4,090
Total investments	$ 653,834	$ 183,243	$ -	$ 1,608,203	$ 2,445,280

The following table presents the University's fair value hierarchy for investments at June 30, 2023 (in thousands):

	Fair Value Measurements at Reporting Date Using				
	Level 1	Level 2	Level 3	NAV	Total
Short-term investments	$ 39,420	$ -	$ -	$ -	$ 39,420
Fixed income investments:					
U.S. government	147,424	18,989	-	-	166,413
Corporate	-	158,054	-	-	158,054
Other	-	1	-	-	1
Corporate stocks	23,211	-	-	-	23,211
Mutual and exchange-traded funds	276,886	-	-	-	276,886
Real estate	-	41,508	-	-	41,508
Alternative investments:					
Public equity	-	-	-	461,077	461,077
Absolute return	-	-	-	505,175	505,175
Private investments	-	-	-	664,430	664,430
Life insurance and other	3,899	9	-	-	3,908
Total investments	$ 490,840	$ 218,561	$ -	$ 1,630,682	$ 2,340,083

The University held total fixed income and equity investments with a liquidity of 30 days or less of $795 million at June 30, 2024. The following redemption table clarifies the nature, risk, and liquidity of the University's investments in alternative investment vehicles that are reported at NAV per share (or its equivalent) at June 30, 2024 (in thousands):

	Liquidity (in Days)					Unfunded Commitments (4)	Estimated Remaining Lives	Redemption Frequency	Redemption Notice Period
	Within 30	31-90	91-365	>365	Total				
Alternative investments:									
Public Equity (1)	$ 110,059	$ 34,849	$ 63,327	$ 63,197	$ 271,432	$ 3,500	N/A	Daily - Up to 3 years	0 - 120 days
	-	-	-	15,522	15,522	3,038	0 - 2 Years	Generally not eligible	N/A
	110,059	34,849	63,327	78,719	286,954	6,538			
Absolute Return (2)	-	97,198	147,657	168,536	413,391	17,280	N/A	Qtr - Up to 2 years	60 - 90 days
	-	-	-	91,528	91,528	3,954	1 - 3 Years	Generally not eligible	N/A
	-	97,198	147,657	260,064	504,919	21,234			
Private Investments (3)	47,639	3,531	1,668	763,492	816,330	186,731	1 - 12 Years	Generally not eligible	N/A
Total alternative Investments	$ 157,698	$ 135,578	$ 212,652	$1,102,275	$ 1,608,203	$ 214,503			

(1) This category's primary objective is to capture the returns of publicly traded equities on a global market basis in order to provide long-term growth to the endowment.

(2) The primary objective of this category is to capture the returns associated with skill-based active management by exploiting the inefficiencies associated with marketable securities, thus providing a diversifying return stream with low correlation to returns of stocks. These funds should also provide principal protection in equity sell-offs.

(3) This category includes investments in private equity and real estate funds. The primary objective of private equity funds is to achieve long-term returns in excess of public equity investments in part by earning an illiquidity premium. The primary objective of real estate funds is to provide portfolio diversification, with long-term returns expected to be between that of stocks and bonds. These funds will also potentially offer some protection for the endowment in the event of inflation. Private investments typically have commitment periods up to 12 years.

(4) The University is obligated under certain investment agreements to periodically advance additional funding up to contractual levels. The investment agreements do not specify exact funding dates; however, it is likely that funding will occur over the next several years. Funds to meet these commitments will be generated from rebalancing the investment pool asset allocation, as well as donor gifts and existing cash.

NOTE 6 - ACCOUNTS RECEIVABLE, NET

Accounts receivable at June 30, (net of allowances for credit losses) are as follows (in thousands):

	2024	2023
Accounts receivable, net:		
Student accounts	$ 1,775	$ 2,159
Grants and contracts	11,523	9,842
Investment income	4,939	4,127
Other	4,215	3,109
	$ 22,452	$ 19,237

Allowances for credit losses were $1.8 million and $1.9 million in 2024 and 2023, respectively.

NOTE 7 - PROPERTY, PLANT, AND EQUIPMENT, NET

Property, plant, and equipment is summarized as follows at June 30, (in thousands):

	2024	2023
Land and improvements	$ 110,843	$ 110,764
Buildings and improvements	1,058,816	1,049,749
Furniture, equipment, books, and collections	255,099	248,521
Construction in progress	94,023	55,979
ROU asset	7,492	7,492
	1,526,273	1,472,505
Less: accumulated depreciation	(755,478)	(725,379)
Total	$ 770,795	$ 747,126

Depreciation expense totaled $43.5 million and $43.0 million for the years ended June 30, 2024 and 2023, respectively. Interest expense that was capitalized totaled $0.8 million and $0.5 million for the years ended June 30, 2024 and 2023, respectively.

NOTE 8 - CONTRIBUTIONS RECEIVABLE, NET

Contributions receivable includes unconditional promises to give and charitable remainder trusts where the University is not the trustee of the assets of the trust, but will receive a distribution upon its termination. The net present value of contributions receivable is calculated using a discount rate range of 1.26% to 3.90%. Unconditional promises are expected to be realized in the following periods (in thousands):

	2024	2023
In one year or less	$ 11,381	$ 7,822
Between one year and five years	19,891	12,363
More than five years	4,253	2,343
	35,525	22,528
Less:		
Unamortized discount	(1,543)	(513)
Allowance for uncollectible accounts	(2,037)	(1,204)
	$ 31,945	$ 20,811

Outstanding promises to give that were conditional amounted to $9.9 million and $10.2 million as of June 30, 2024 and 2023, respectively.

NOTE 9 - NET ASSETS

Net assets without donor restrictions include the following at June 30, (in thousands):

	2024	2023
Undesignated	$ 395,047	$ 384,744
Board designated endowment funds	552,285	516,918
Annuity and life income funds	3,438	3,380
Plant funds and capital project reserves	280,214	275,502
Independent operations	66,191	63,071
	$ 1,297,175	$ 1,243,615

Net assets with donor restrictions include the following at June 30, (in thousands):

	2024	2023
Contributions receivable	$ 31,945	$ 20,811
Loan funds	3,438	3,278
Annuity and life income funds	42,313	33,601
Endowment funds - corpus	654,368	633,500
Accumulated gains on endowment funds	616,906	552,004
Other - related to time and purpose restrictions	17,287	18,632
	$ 1,366,257	$ 1,261,826

Donor restricted endowment funds are restricted for scholarships, fellowships, professorships, chairs and other academic and research purposes.

NOTE 10 - BONDS AND NOTES PAYABLE

Bonds, loans, and notes payable are reported net of any unamortized premiums, discounts, or issuance costs. Net unamortized premiums were $2.2 million and $2.4 million at June 30, 2024 and 2023, respectively. Net unamortized bond issuance costs were $1.9 million and $2.0 million at June 30, 2024 and 2023, respectively. The following table presents bonds, loans, and notes payable at June 30, (in thousands):

	2024	2023
Northampton County General Purpose Authority (NCGPA):		
Series 2000B bonds; tax-exempt variable rate revenue bonds, $25,000 due serially from December 1, 2003 to December 1, 2030, variable rates of 3.78% and 3.97% on June 30, 2024 and 2023, respectively; bonds are supported with a standby bond purchase agreement, which expires on November 30, 2025	$ 9,637	$ 10,761
Series 2004 bonds; tax-exempt index rate revenue bonds, $50,000 due serially from May 15, 2025 to May 15, 2034, rates of 5.00% and 4.78% on June 30, 2024 and 2023, respectively	49,887	49,869

	2024	2023
Series 2007 bonds; tax-exempt revenue bonds, $24,615 variable rate CPI bonds due serially from November 15, 2019 to November 15, 2025, variable rates of 4.67% and 6.17% on June 30, 2024 and 2023, respectively	$ 7,062	$ 12,511
Series 2016A bonds; 4.00% to 5.00% tax-exempt fixed rate revenue bonds, $26,715 due serially from November 15, 2026 to November 15, 2036	28,604	28,779
Series 2016B bonds; tax-exempt variable rate revenue bonds, $74,950 due serially from November 15, 2017 to November 15, 2039, variable rate of 4.57% and 4.39% on June 30, 2024 and 2023, respectively	70,439	71,080
Series 2016 taxable bonds; $150,000 due serially from November 15, 2044 to November 15, 2046, fixed rate 3.48%	149,335	149,304
Series 2020 taxable bonds; 2.553% to 2.703% fixed rate bonds, $170,000 due serially from November 15, 2040 to November 15, 2050	169,291	169,257
	$ 484,255	$ 491,561

The series 2016 and 2020 taxable bonds are secured by a pledge of and security interest in the University's gross revenues.

Payment of all outstanding tax-exempt bonds is secured by separate loan agreements between the University and the Northampton County General Purpose Authority (NCGPA). Each loan agreement is a general obligation of the University for which it has pledged its full faith and credit. In addition, the University has granted NCGPA a security interest in the University's gross revenues as defined in each loan agreement. In accordance with the NCGPA loan agreements, the University established rates and charges sufficient to provide, in each fiscal year, for the payment of the University's operating expenses and debt service on its long-term indebtedness. The University may incur additional indebtedness under certain conditions described in the loan agreements and the bond indentures.

Under the terms of the loan agreements and the bond indentures, the University is required to maintain certain financial covenants. The University was in compliance with such covenants as of June 30, 2024 and 2023.

At June 30, 2024, the aggregate annual maturities of bonds, loans, and notes payable for the next five years and, thereafter, are as follows (in thousands):

2025	$ 11,075
2026	7,025
2027	6,215
2028	6,470
2029	6,720
Thereafter	446,540
Total long-term bonds payable	484,045
Unamortized issuance costs	(1,795)
Unamortized bond premium	2,005
	$ 484,255

The Series of 2000B bonds bear interest at a weekly rate determined by the remarketing agent. The Series 2004 and 2016B bonds bear interest based upon a Federal Funds Rate set by the calculation agent on a monthly basis. The University may elect to convert to another variable rate mode or to a fixed mode as determined by the remarketing agent.

Bondholders have a right to tender variable rate bonds at interest rate reset dates.

The University entered into a separate standby bond purchase agreement to provide liquidity in case of tender of the 2000B bonds. This agreement expires prior to the maturity of the bonds and may be extended at the University's request. However, the bank has no obligation to agree to the extended purchase period.

The University serves as the liquidity facility for its Commercial Paper program, however no commercial paper was issued during fiscal year 2024.

NOTE 11 - INTEREST RATE SWAP AGREEMENTS

The University employs derivatives, primarily interest rate swap agreements, to manage interest rate risk associated with outstanding debt. The net fair value of the University's swap agreements is included in other assets or other liabilities in the statements of financial position, and was recorded as an asset of $12.3 million and an asset of $11.0 million at June 30, 2024 and 2023, respectively. The change in fair value of the interest rate swaps is reflected in nonoperating activity on the statement of activities and was $1.3 million and $4.5 million for the years ended June 30, 2024 and 2023, respectively.

Significant terms of each of the swap agreements are as follows (in thousands):

Series	Counterparty	Effective Date	Current Notional Amount	University Pays	University Receives	Expiration Date
2000B bonds	JPMorgan Chase	12/7/2000	$ 9,660	4.530%	67% of USD 1-month LIBOR-BBA	12/1/2030
2004 bonds	Wells Fargo	12/18/2008	50,000	1.953	67% of USD-Federal Funds	5/15/2034
2007 CPI bonds	JPMorgan Chase	2/1/2007	7,065	4.060 to 4.100	Variable rate based on CPI-U	various through 11/15/2025
2016B bonds	Wells Fargo	10/6/2016	70,605	1.148	70% of USD-Federal Funds	11/15/2039
			$ 137,330			

Certain of the University's interest rate swap agreements contain provisions that require the University's debt to maintain an investment grade credit rating from each of the major credit rating agencies. If the University's debt were to fall below investment grade, it would be a violation of these provisions, and the counterparties to the rate swap agreement could request next-day full collateralization on all rate swaps in net liability positions.

NOTE 12 - FUNCTIONAL ALLOCATION OF EXPENSES

The following table includes operating expenses by type and function for the year ended June 30, 2024 (in thousands):

	Instruction	Research	Public Service	Academic Support	Student Services	Institutional Support	Auxiliary Enterprises	Independent Operations	Total
Salaries and wages	$ 99,568	$ 26,517	$ 1,257	$ 21,978	$ 21,493	$ 45,503	$ 4,673	$ 4,030	$ 225,019
Employee benefits	32,547	5,732	335	8,121	6,642	16,237	1,436	1,076	72,126
Purchased services	2,906	10,532	283	3,199	3,452	13,216	20,028	2,495	56,111
Occupancy	12,607	3,346	469	3,461	3,379	6,561	14,081	1,175	45,079
Depreciation	10,597	10,773	376	3,128	3,585	5,816	7,656	1,546	43,477
Interest	8,513	2,278	107	1,866	1,831	3,860	406	-	18,861
Other expenses	16,011	9,776	1,832	9,285	10,361	11,471	9,203	5,553	73,492
	$ 182,749	$ 68,954	$ 4,659	$ 51,038	$ 50,743	$ 102,664	$ 57,483	$ 15,875	$ 534,165

The following table includes operating expenses by type and function for the year ended June 30, 2023 (in thousands):

	Instruction	Research	Public Service	Academic Support	Student Services	Institutional Support	Auxiliary Enterprises	Independent Operations	Total
Salaries and wages	$ 93,385	$ 25,387	$ 1,261	$ 19,590	$ 19,557	$ 41,375	$ 4,303	$ 3,997	$ 208,855
Employee benefits	31,036	5,378	326	7,221	6,024	14,904	1,260	954	67,103
Purchased services	2,756	8,384	246	3,112	3,183	9,863	18,929	2,113	48,586
Occupancy	11,597	3,064	454	3,195	3,069	5,493	13,344	1,183	41,399
Depreciation	10,259	10,766	360	3,333	3,566	5,685	7,464	1,602	43,035
Interest	8,664	2,365	115	1,798	1,801	3,796	403	-	18,942
Other expenses	14,713	9,151	1,060	10,125	10,901	7,148	9,366	4,669	67,133
	$ 172,410	$ 64,495	$ 3,822	$ 48,374	$ 48,101	$ 88,264	$ 55,069	$ 14,518	$ 495,053

The consolidated financial statements report certain categories of expenses that are attributable to more than one function. Therefore, these expenses require allocation on a reasonable basis that is consistently applied. The expenses that are allocated include employee benefits, interest, and certain occupancy expenses, which are allocated on the basis of salary and wage expense.

Fund-raising costs were approximately $13.3 million and $11.4 million in 2024 and 2023, respectively, and are included in institutional support.

NOTE 13 - POSTRETIREMENT AND POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS

The University pays for a portion of the cost of medical insurance for retired employees and their eligible dependents. During fiscal year 2024, the University reimbursed retirees a maximum of $117 per month for premium expenses. The maximum monthly reimbursement amount will increase each year at the lesser of medical Consumer Price Index (CPI) or 8%. These postretirement medical benefits accrue from the date of hire. The University uses a July 1 measurement date for its plan. Summarized plan information is stated below (in thousands).

The following shows the reconciliation of the beginning and ending balances of the benefit obligation (in thousands):

	2024	2023
Benefit obligation at beginning of year	$ 49,043	$ 49,999
Operating:		
Service cost	1,939	2,064
Benefits paid	(1,674)	(1,605)
Total operating	265	459
Nonoperating:		
Interest cost	2,535	2,414
Actuarial gain	1,442	-
Assumption changes	(8,171)	(3,829)
Total nonoperating gain	(4,194)	(1,415)
Benefit obligation at end of year	$ 45,114	$ 49,043

The following table sets forth the status of the plan, which is unfunded, at June 30:

	2024	2023
Accumulated postretirement benefit obligation:		
Retirees	$ 21,845	$ 17,937
Fully eligible active plan participants	10,842	13,444
Other active plan participants	12,427	17,662
Accumulated postretirement benefit liability	$ 45,114	$ 49,043

Weighted average assumptions as of and for the years ended June 30, are as follows:

	2024	2023
Discount rate for net periodic postretirement benefit cost	5.25%	4.90%
Discount rate for accumulated postretirement benefit obligation	5.60	5.25
Maximum increase in reimbursement rate	lesser of medical CPI or 8%	lesser of medical CPI or 8%
Healthcare cost trend rate assumed for next year	6.00	6.00
Rate to which the cost trend rate is assumed to decline (ultimate rate)	5.00	5.00
Year that ultimate rate is reached	2025	2024

Estimated future University contributions reflecting expected future service are as follows (in thousands):

Fiscal Year Ending June 30:		
2025	$	1,776
2026		1,907
2027		2,024
2028		2,137
2029		2,241
2030 through 2034		13,072

NOTE 14 - RETIREMENT PLANS

The University provides pensions to substantially all salaried faculty and staff through a defined-contribution plan administered by Teacher's Insurance and Annuity Association. The plan features base contributions from the University and voluntary employee contributions with a University match. Total expense for this plan was $17.7 million and $16.6 million in 2024 and 2023, respectively.

NOTE 15 - COMMITMENTS AND CONTINGENCIES

Litigation

The University is party to various legal actions and claims arising in the ordinary course of operations. While it is not feasible to predict the ultimate outcome of such matters, management is of the opinion that the resolution of such matters will not have a material adverse effect on the University's consolidated financial position or changes in net assets.

Operating Leases and Other Financing Obligations

The University leases certain equipment and real property. These leases are classified as operating leases. These leases have a weighted average remaining lease term of 3.96 years and were calculated using a weighted average discount rate of 2.83% resulting in a present value discount of approximately $0.2 million. Operating leases ROU assets and liabilities as of June 30, 2024 were $3.8 million and $3.8 million, respectively and $4.9 million and $4.9 million at June 30, 2023, respectively.

	2024
Maturity analysis:	
Less than 1 year	$ 1,152
1 to 2 years	1,090
2 to 3 years	752
3 to 4 years	722
4 to 5 years	352
5 to 10 years	-
More than 10 years	-
Total undiscounted lease liabilities, end of period	$ 4,068

Included in other liabilities is a finance obligation of $42.5 million related to the construction of a student housing residence facility on the University's land. The related construction costs are capitalized and, depreciated, and included in property, plant, and equipment, net on the consolidated statements of financial position. The finance obligation has a remaining term commensurate with the land lease which is 46 years as of June 30, 2024. The University amortizes the finance obligation to revenue as the related asset is being depreciated.

Other

Open commitments with general contractors, engineering firms, and other vendors related to the construction, renovation, and repair of certain facilities amounted to approximately $42.3 million and $25.0 million as of June 30, 2024 and 2023, respectively.

NOTE 16 - SUBSEQUENT EVENTS

On August 15, 2024, the University issued $125,425,000 aggregate principal amount of its Series 2024 tax exempt bonds (the bonds) due November 15, 2034. The bonds are secured by a pledge of and security interest in the University's gross revenues. The proceeds of the bonds will be used to finance current and future capital projects consistent with the University's capital plan and any other purpose duly authorized by the University. A portion of the bonds were also used to refund all of outstanding variable rate Series 2000B and Series 2004 bonds. Also, in connection with the issuance of the 2024 bonds, the University terminated the interest rate swap agreements associated with the 2000B Bonds and 2004 Bonds. The University has evaluated subsequent events through October 17, 2024, the date the consolidated financial statements were issued, and concluded that there were no additional items requiring disclosure.