

# Consolidated Financial Statements and Report of Independent Certified Public Accountants

**Lehigh University**

June 30, 2025 (with summarized comparative  
financial information for June 30, 2024)

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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 subsidiaries (the "University"), which comprise the consolidated statements of financial position as of June 30, 2025 and 2024, and the related consolidated statements of activities and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the University as of June 30, 2025 and 2024, and the change in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

**Basis for opinion**

We conducted our audits 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***Report on 2024 summarized comparative information*

We have previously audited the University's 2024 consolidated financial statements, and we expressed an unmodified opinion on those audited consolidated financial statements in our report dated October 17, 2024. In our opinion, the accompanying summarized comparative information as of and for the year ended June 30, 2024 is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

**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 consolidated 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 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.

*Grant Thornton LLP*

Philadelphia, Pennsylvania  
October 15, 2025

# Lehigh University

## CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

June 30,  
(In thousands)

|                                              | <u>2025</u>                | <u>2024</u>                |
|----------------------------------------------|----------------------------|----------------------------|
| <b>ASSETS</b>                                |                            |                            |
| Cash and cash equivalents                    | \$ 58,659                  | \$ 29,703                  |
| Accounts receivable, net (Note 6)            | 21,047                     | 22,452                     |
| Prepaid expenses and other assets            | 20,814                     | 25,096                     |
| Contributions receivable, net (Note 8)       | 34,475                     | 31,945                     |
| Notes receivable, net                        | 9,416                      | 9,033                      |
| Investments (Notes 3 and 5)                  | 2,594,277                  | 2,445,280                  |
| Funds held in trust by others                | 5,330                      | 5,051                      |
| Property, plant, and equipment, net (Note 7) | <u>795,272</u>             | <u>770,795</u>             |
| Total assets                                 | <u><u>\$ 3,539,290</u></u> | <u><u>\$ 3,339,355</u></u> |
| <b>LIABILITIES AND NET ASSETS</b>            |                            |                            |
| Accounts payable and accrued expenses        | \$ 44,843                  | \$ 60,789                  |
| Deferred revenues                            | 21,216                     | 15,848                     |
| Annuity payment obligations                  | 17,991                     | 18,000                     |
| Other liabilities (Notes 11, 13, and 16)     | 96,547                     | 97,031                     |
| Bonds and notes payable (Note 10)            | <u>553,759</u>             | <u>484,255</u>             |
| Total liabilities                            | <u>734,356</u>             | <u>675,923</u>             |
| Net assets (Notes 4 and 9)                   |                            |                            |
| Without donor restrictions                   | 1,337,415                  | 1,297,175                  |
| With donor restrictions                      | <u>1,467,519</u>           | <u>1,366,257</u>           |
| Total net assets                             | <u>2,804,934</u>           | <u>2,663,432</u>           |
| Total liabilities and net assets             | <u><u>\$ 3,539,290</u></u> | <u><u>\$ 3,339,355</u></u> |

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

**Lehigh University**

**CONSOLIDATED STATEMENT OF ACTIVITIES**

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

|                                                                                                     | Without<br>Donor<br>Restrictions | 2025<br>With<br>Donor<br>Restrictions | Total        | 2024         |
|-----------------------------------------------------------------------------------------------------|----------------------------------|---------------------------------------|--------------|--------------|
| <b>Support and revenues</b>                                                                         |                                  |                                       |              |              |
| Tuition and fees, net                                                                               | \$ 257,841                       | \$ -                                  | \$ 257,841   | \$ 246,127   |
| Federal grants and contracts                                                                        | 50,749                           | -                                     | 50,749       | 47,987       |
| State and local grants and contracts                                                                | 8,740                            | -                                     | 8,740        | 9,902        |
| Private grants and contracts                                                                        | 4,477                            | -                                     | 4,477        | 4,963        |
| Contributions                                                                                       | 16,871                           | -                                     | 16,871       | 15,594       |
| Investment return, net (Note 3)                                                                     | 113,564                          | -                                     | 113,564      | 105,012      |
| Auxiliary enterprises, net                                                                          | 61,476                           | -                                     | 61,476       | 59,138       |
| Independent operations (Note 1)                                                                     | 16,184                           | -                                     | 16,184       | 13,835       |
| Other sources                                                                                       | 12,700                           | -                                     | 12,700       | 11,803       |
| Net assets released from restrictions                                                               | 3,924                            | (3,924)                               | -            | -            |
| Total support and revenues                                                                          | 546,526                          | (3,924)                               | 542,602      | 514,361      |
| <b>Expenses</b>                                                                                     |                                  |                                       |              |              |
| Salaries and wages                                                                                  | 229,350                          | -                                     | 229,350      | 220,989      |
| Employee benefits                                                                                   | 79,388                           | -                                     | 79,388       | 71,050       |
| Purchased services                                                                                  | 58,293                           | -                                     | 58,293       | 53,616       |
| Occupancy                                                                                           | 46,420                           | -                                     | 46,420       | 43,904       |
| Depreciation                                                                                        | 44,200                           | -                                     | 44,200       | 41,931       |
| Interest                                                                                            | 17,458                           | -                                     | 17,458       | 18,861       |
| Independent operations                                                                              | 16,024                           | -                                     | 16,024       | 15,875       |
| Other business expenses                                                                             | 67,221                           | -                                     | 67,221       | 67,939       |
| Total expenses (Note 12)                                                                            | 558,354                          | -                                     | 558,354      | 534,165      |
| Operating loss                                                                                      | (11,828)                         | (3,924)                               | (15,752)     | (19,804)     |
| <b>Nonoperating activity</b>                                                                        |                                  |                                       |              |              |
| Investment return, net (Note 3)                                                                     |                                  |                                       |              |              |
| University                                                                                          | 51,466                           | 77,234                                | 128,700      | 122,446      |
| Independent operations                                                                              | 523                              | -                                     | 523          | 4,997        |
| Gifts and trusts                                                                                    | 2,060                            | 32,145                                | 34,205       | 41,337       |
| Net assets released from restrictions and changes in donor intent                                   | 4,627                            | (4,627)                               | -            | -            |
| Change in fair value of interest rate swaps (Note 11)                                               | (1,880)                          | -                                     | (1,880)      | 1,254        |
| Changes in postretirement health benefits obligation other than net periodic benefit cost (Note 13) |                                  |                                       |              |              |
| University                                                                                          | 719                              | -                                     | 719          | 6,481        |
| Independent operations                                                                              | 18                               | -                                     | 18           | 248          |
| Net periodic benefit costs other than service costs (Note 13)                                       |                                  |                                       |              |              |
| University                                                                                          | (2,406)                          | -                                     | (2,406)      | (2,457)      |
| Independent operations                                                                              | (71)                             | -                                     | (71)         | (78)         |
| Other                                                                                               | (2,988)                          | 434                                   | (2,554)      | 3,567        |
| Nonoperating income                                                                                 | 52,068                           | 105,186                               | 157,254      | 177,795      |
| <b>CHANGE IN NET ASSETS</b>                                                                         | 40,240                           | 101,262                               | 141,502      | 157,991      |
| <b>Net assets at beginning of year</b>                                                              | 1,297,175                        | 1,366,257                             | 2,663,432    | 2,505,441    |
| <b>Net assets at end of year</b>                                                                    | \$ 1,337,415                     | \$ 1,467,519                          | \$ 2,804,934 | \$ 2,663,432 |

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)

|                                                                                                                                                                                      | 2025             | 2024             |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------|------------------|
| <b>Cash flows from operating activities:</b>                                                                                                                                         |                  |                  |
| Change in net assets                                                                                                                                                                 | \$ 141,502       | \$ 157,991       |
| Adjustments to reconcile change in net assets to net cash used in operating activities:                                                                                              |                  |                  |
| Gifts and trusts restricted for long-term investment                                                                                                                                 | (28,327)         | (26,794)         |
| Noncash contributions                                                                                                                                                                | (1,809)          | (2,750)          |
| Investment earnings restricted for long-term investment                                                                                                                              | (1,400)          | (1,220)          |
| Net realized and unrealized gains on investments                                                                                                                                     | (222,973)        | (209,823)        |
| Change in fair value of interest rate swap agreements                                                                                                                                | 2,990            | (1,254)          |
| Payment of annuity obligations                                                                                                                                                       | 1,282            | 1,304            |
| Other nonoperating activity                                                                                                                                                          | 23               | 1,884            |
| Depreciation and amortization                                                                                                                                                        | 59,686           | 42,765           |
| Independent operations provision for uncollectible accounts                                                                                                                          | 1,243            | (163)            |
| University provision for uncollectible accounts                                                                                                                                      | 81               | 49               |
| Change in operating assets and liabilities:                                                                                                                                          |                  |                  |
| Accounts receivable                                                                                                                                                                  | 1,392            | (3,092)          |
| Contributions receivable                                                                                                                                                             | (2,530)          | (11,134)         |
| Accounts payable and accrued expenses                                                                                                                                                | (17,992)         | (5,434)          |
| Deferred revenues                                                                                                                                                                    | 5,368            | (2,625)          |
| Annuity payment obligations                                                                                                                                                          | (9)              | (5,563)          |
| Deposits held for others                                                                                                                                                             | (4)              | (188)            |
| Accrued postretirement benefit cost                                                                                                                                                  | 1,577            | (3,929)          |
| Prepaid expenses and other assets                                                                                                                                                    | 1,291            | (777)            |
| Other liabilities                                                                                                                                                                    | (999)            | 1,022            |
| Net cash used in operating activities                                                                                                                                                | (59,608)         | (69,731)         |
| <b>Cash flows from investing activities:</b>                                                                                                                                         |                  |                  |
| Proceeds from sale and maturity of investments                                                                                                                                       | 1,221,261        | 650,302          |
| Purchases of investments                                                                                                                                                             | (1,147,909)      | (544,243)        |
| Student loans and other notes advanced                                                                                                                                               | (1,012)          | (1,074)          |
| Independent operations loans advanced                                                                                                                                                | (2,226)          | (1,041)          |
| Student loans and other notes collected                                                                                                                                              | 763              | 612              |
| Independent operations loans collected                                                                                                                                               | 760              | 1,411            |
| Purchase of land, buildings, and equipment                                                                                                                                           | (67,282)         | (57,774)         |
| Net cash provided by investing activities                                                                                                                                            | 4,355            | 48,193           |
| <b>Cash flows from financing activities:</b>                                                                                                                                         |                  |                  |
| Proceeds from bonds issuance                                                                                                                                                         | 125,425          | -                |
| Repayments on bonds                                                                                                                                                                  | (70,095)         | (7,240)          |
| Gifts and trusts restricted for long-term investment                                                                                                                                 | 28,327           | 26,794           |
| Investment earnings restricted for long-term investment                                                                                                                              | 1,400            | 1,220            |
| Decrease in refundable loan funds                                                                                                                                                    | (128)            | (186)            |
| Payment of annuity obligations                                                                                                                                                       | (1,282)          | (1,304)          |
| Net cash provided by financing activities                                                                                                                                            | 83,647           | 19,284           |
| <b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>                                                                                                                          | <b>28,394</b>    | <b>(2,254)</b>   |
| <b>Cash, cash equivalents, and restricted cash at beginning of year</b>                                                                                                              | <b>30,611</b>    | <b>32,865</b>    |
| <b>Cash, cash equivalents, and restricted cash at end of year</b>                                                                                                                    | <b>\$ 59,005</b> | <b>\$ 30,611</b> |
| <b>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:</b> |                  |                  |
| Cash and cash equivalents                                                                                                                                                            | \$ 58,659        | \$ 29,703        |
| Cash restricted for long-term investment purposes                                                                                                                                    | 346              | 908              |
| Total cash, cash equivalents, and restricted cash shown above                                                                                                                        | \$ 59,005        | \$ 30,611        |
| <b>Supplemental data:</b>                                                                                                                                                            |                  |                  |
| Cash paid for interest                                                                                                                                                               | \$ 20,107        | \$ 19,893        |
| Accounts payable and accrued expenses for property, plant, and equipment                                                                                                             | 2,046            | 10,122           |

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

**Lehigh University**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**June 30, 2025 and 2024**

**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 5,900 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 accounting principles generally accepted in the United States of America (U.S. GAAP). All significant inter-entity balances and transactions have been eliminated.



## Lehigh University

### NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2025 and 2024

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

Lehigh University

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2025 and 2024

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 2027. These rates are also used for other sponsored programs except where separately negotiated. Indirect cost reimbursements from all sources totaled \$14.0 million and \$13.5 million in 2025 and 2024, respectively.

Outstanding amounts related to conditional federal grants not recognized as of June 30, 2025 were approximately \$69.5 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 as of both June 30, 2025 and 2024, 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 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 |

Lehigh University

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2025 and 2024

***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 2025 and 2024 were \$166.9 million and \$154.1 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 2025 and 2024 were \$5.8 million and \$5.2 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.

***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 U.S. GAAP. Accordingly, such information should be read in conjunction with the University's consolidated financial statement for the year ended June 30, 2024, 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 2024 consolidated financial statements.

# Lehigh University

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2025 and 2024

### 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 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, 2025 and 2024 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):

|                                                                     | 2025       | 2024       |
|---------------------------------------------------------------------|------------|------------|
| Financial assets:                                                   |            |            |
| Cash and cash equivalents                                           | \$ 51,462  | \$ 21,817  |
| Accounts receivable, net                                            | 20,447     | 21,852     |
| Contributions without donor restrictions due in one year or less    | 3,668      | 7,339      |
| Investments not subject to donor restrictions or board designations | 202,785    | 200,183    |
|                                                                     | 278,362    | 251,191    |
| Liquidity resources:                                                |            |            |
| Commercial paper, \$75 million authorized                           | 75,000     | 75,000     |
| Total available within one year                                     | \$ 353,362 | \$ 326,191 |

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, 2025 and 2024, there were no outstanding notes.

# Lehigh University

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2025 and 2024

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, 2025 and matures on June 12, 2026. As of June 30, 2025, 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 \$585.0 million as of June 30, 2025 to function as endowment and \$291.0 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, 2026 are anticipated to be approximately \$44.1 million. Distributions from endowments without donor restrictions for the fiscal year ending June 30, 2026 are anticipated to be approximately \$40.4 million. Such distributions will be funded from fiscal year 2025 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):

|                                      | 2025                | 2024                |
|--------------------------------------|---------------------|---------------------|
| Short-term investments               | \$ 74,141           | \$ 36,811           |
| Fixed income investments:            |                     |                     |
| U.S. government                      | 227,458             | 234,636             |
| Corporate                            | 84,223              | 127,087             |
| Other                                | 1                   | 1                   |
| Corporate stocks                     | 29,489              | 27,902              |
| Mutual and exchange-traded funds     | 460,218             | 364,391             |
| Real estate                          | 41,742              | 42,159              |
| Alternative investments:             |                     |                     |
| Public equity                        | 430,119             | 286,954             |
| Absolute return                      | 453,544             | 504,919             |
| Private investments                  | 789,003             | 816,330             |
| Life insurance and other investments | 4,339               | 4,090               |
| Total investments                    | <u>\$ 2,594,277</u> | <u>\$ 2,445,280</u> |

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

**Lehigh University**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED**

**June 30, 2025 and 2024**

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.

|                                   | 2025              | 2024              |
|-----------------------------------|-------------------|-------------------|
| Investment earnings               | \$ 23,223         | \$ 24,052         |
| Net realized and unrealized gains | 219,041           | 203,406           |
|                                   | 242,264           | 227,458           |
| Independent operations            | 4,511             | 6,985             |
| Total                             | <u>\$ 246,775</u> | <u>\$ 234,443</u> |

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

|                                                                | 2025              | 2024              |
|----------------------------------------------------------------|-------------------|-------------------|
| Operating:                                                     |                   |                   |
| Endowment spending distribution                                | \$ 82,743         | \$ 77,710         |
| Spending distribution - other                                  | 13,510            | 12,866            |
| Other investment earnings                                      | 17,311            | 14,436            |
|                                                                | 113,564           | 105,012           |
| Independent operations                                         | 3,988             | 1,988             |
| Total operating                                                | 117,552           | 107,000           |
| Nonoperating:                                                  |                   |                   |
| Endowment spending distribution                                | 1,937             | 1,961             |
| Other investment losses, net                                   | (537)             | (741)             |
| Net realized and unrealized gains net of spending distribution | 127,300           | 121,226           |
|                                                                | 128,700           | 122,446           |
| Independent operations                                         | 523               | 4,997             |
| Total nonoperating                                             | 129,223           | 127,443           |
| Total investment return                                        | <u>\$ 246,775</u> | <u>\$ 234,443</u> |

**NOTE 4 - ENDOWMENT NET ASSETS**

The University's endowment consists of approximately 3,000 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).

**Lehigh University**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED**

**June 30, 2025 and 2024**

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):

|                                          | 2025              | 2024              |
|------------------------------------------|-------------------|-------------------|
| Fair value of underwater endowment funds | \$ 260            | \$ 4,167          |
| Original endowment gift amounts          | 3,002             | 6,857             |
| Underwater amounts                       | <u>\$ (2,742)</u> | <u>\$ (2,690)</u> |

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% for both fiscal years 2025 and 2024.

**Lehigh University**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED**

**June 30, 2025 and 2024**

Endowment net asset composition as of June 30, 2025 (in thousands):

|                                           | Without<br>Donor<br>Restrictions | With<br>Donor<br>Restrictions | Total               |
|-------------------------------------------|----------------------------------|-------------------------------|---------------------|
| Donor-restricted endowment funds (corpus) | \$ -                             | \$ 676,982                    | \$ 676,982          |
| Board-designated endowment funds (corpus) | 235,956                          | -                             | 235,956             |
| Accumulated gains on endowment funds      | 349,041                          | 688,378                       | 1,037,419           |
| Total endowment net assets                | <u>\$ 584,997</u>                | <u>\$ 1,365,360</u>           | <u>\$ 1,950,357</u> |

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

|                                           | Without<br>Donor<br>Restrictions | With<br>Donor<br>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                | <u>\$ 552,285</u>                | <u>\$ 1,271,274</u>           | <u>\$ 1,823,559</u> |

Changes in endowment net assets for the years ended June 30, 2025 and 2024 (in thousands):

|                                        | Without<br>Donor<br>Restrictions | With<br>Donor<br>Restrictions | Total               |
|----------------------------------------|----------------------------------|-------------------------------|---------------------|
| 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        | <u>35,367</u>                    | <u>85,770</u>                 | <u>121,137</u>      |
| Net assets, June 30, 2024              | 552,285                          | 1,271,274                     | 1,823,559           |
| Investment return, net                 | 74,668                           | 116,817                       | 191,485             |
| Contributions and other additions, net | 59                               | 21,399                        | 21,458              |
| Endowment distributions                | (40,482)                         | (44,200)                      | (84,682)            |
| Other changes                          | (1,533)                          | 70                            | (1,463)             |
| Total change in endowment funds        | <u>32,712</u>                    | <u>94,086</u>                 | <u>126,798</u>      |
| Net assets, June 30, 2025              | <u>\$ 584,997</u>                | <u>\$ 1,365,360</u>           | <u>\$ 1,950,357</u> |



NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2025 and 2024

**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

**Lehigh University**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED**

**June 30, 2025 and 2024**

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, 2025 (in thousands):

|                                      | Fair Value Measurements at<br>Reporting Date Using |                   |             | NAV                 | Total               |
|--------------------------------------|----------------------------------------------------|-------------------|-------------|---------------------|---------------------|
|                                      | Level 1                                            | Level 2           | Level 3     |                     |                     |
| Short-term investments               | \$ 74,141                                          | \$ -              | \$ -        | \$ -                | \$ 74,141           |
| Fixed income investments:            |                                                    |                   |             |                     |                     |
| U.S. government                      | 212,523                                            | 14,935            | -           | -                   | 227,458             |
| Corporate                            | -                                                  | 84,223            | -           | -                   | 84,223              |
| Other                                | -                                                  | 1                 | -           | -                   | 1                   |
| Corporate stocks                     | 29,489                                             | -                 | -           | -                   | 29,489              |
| Mutual and exchange-traded funds     | 460,218                                            | -                 | -           | -                   | 460,218             |
| Real estate                          | -                                                  | 41,742            | -           | -                   | 41,742              |
| Alternative investments:             |                                                    |                   |             |                     |                     |
| Public equity                        | -                                                  | -                 | -           | 430,119             | 430,119             |
| Absolute return                      | -                                                  | -                 | -           | 453,544             | 453,544             |
| Private investments                  | -                                                  | -                 | -           | 789,003             | 789,003             |
| Life insurance and other investments | 4,297                                              | 42                | -           | -                   | 4,339               |
| Total investments                    | <u>\$ 780,668</u>                                  | <u>\$ 140,943</u> | <u>\$ -</u> | <u>\$ 1,672,666</u> | <u>\$ 2,594,277</u> |

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

|                                      | Fair Value Measurements at<br>Reporting Date Using |                   |             | NAV                 | Total               |
|--------------------------------------|----------------------------------------------------|-------------------|-------------|---------------------|---------------------|
|                                      | Level 1                                            | Level 2           | Level 3     |                     |                     |
| 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 investments | 4,085                                              | 5                 | -           | -                   | 4,090               |
| Total investments                    | <u>\$ 653,834</u>                                  | <u>\$ 183,243</u> | <u>\$ -</u> | <u>\$ 1,608,203</u> | <u>\$ 2,445,280</u> |

# Lehigh University

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2025 and 2024

The University held total fixed income and equity investments with a liquidity of 30 days or less of \$880.0 million at June 30, 2025. 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, 2025 (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)             | \$ 98,473           | \$ 41,896  | \$ 94,059  | \$ 194,094   | \$ 428,522   | \$ 2,796                 | N/A                       | Daily - up to 3 years  | 0 - 60 days              |
|                               | -                   | -          | -          | 1,597        | 1,597        | 3,038                    | 0 - 2 years               | Generally not eligible | N/A                      |
|                               | 98,473              | 41,896     | 94,059     | 195,691      | 430,119      | 5,834                    |                           |                        |                          |
| Absolute return (2)           | -                   | 69,051     | 171,344    | 151,788      | 392,183      | 22,654                   | N/A                       | Qtr - up to 5 years    | 30 - 120 days            |
|                               | -                   | -          | -          | 61,361       | 61,361       | 35,630                   | 1 - 5 years               | Generally not eligible | N/A                      |
|                               | -                   | 69,051     | 171,344    | 213,149      | 453,544      | 58,284                   |                           |                        |                          |
| Private investments (3)       | -                   | -          | -          | 789,003      | 789,003      | 297,773                  | 1 - 13 years              | Generally not eligible | N/A                      |
| Total alternative Investments | \$ 98,473           | \$ 110,947 | \$ 265,403 | \$ 1,197,843 | \$ 1,672,666 | \$ 361,891               |                           |                        |                          |

- (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):

|                           | 2025             | 2024             |
|---------------------------|------------------|------------------|
| Accounts receivable, net: |                  |                  |
| Student accounts          | \$ 2,181         | \$ 1,775         |
| Grants and contracts      | 12,925           | 11,523           |
| Investment income         | 2,563            | 4,939            |
| Other                     | 3,378            | 4,215            |
|                           | <u>\$ 21,047</u> | <u>\$ 22,452</u> |

Allowances for credit losses were \$1.8 million in both 2025 and 2024.

**Lehigh University**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED**

**June 30, 2025 and 2024**

**NOTE 7 - PROPERTY, PLANT, AND EQUIPMENT, NET**

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

|                                              | 2025              | 2024              |
|----------------------------------------------|-------------------|-------------------|
| Land and improvements                        | \$ 117,913        | \$ 110,843        |
| Buildings and improvements                   | 1,159,124         | 1,058,816         |
| Furniture, equipment, books, and collections | 265,912           | 255,099           |
| Construction in progress                     | 45,135            | 94,023            |
| ROU asset                                    | 7,373             | 7,492             |
|                                              | <u>1,595,457</u>  | <u>1,526,273</u>  |
| Less: accumulated depreciation               | <u>(800,185)</u>  | <u>(755,478)</u>  |
| Total                                        | <u>\$ 795,272</u> | <u>\$ 770,795</u> |

Depreciation expense totaled \$45.7 million and \$43.5 million for the years ended June 30, 2025 and 2024, respectively. Interest expense that was capitalized totaled \$0.8 million and \$0.8 million for the years ended June 30, 2025 and 2024, 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):

|                                      | 2025             | 2024             |
|--------------------------------------|------------------|------------------|
| In one year or less                  | \$ 11,103        | \$ 11,381        |
| Between one year and five years      | 23,705           | 19,891           |
| More than five years                 | 3,942            | 4,253            |
|                                      | <u>38,750</u>    | <u>35,525</u>    |
| Less:                                |                  |                  |
| Unamortized discount                 | (2,046)          | (1,543)          |
| Allowance for uncollectible accounts | <u>(2,229)</u>   | <u>(2,037)</u>   |
|                                      | <u>\$ 34,475</u> | <u>\$ 31,945</u> |

Outstanding promises to give that were conditional amounted to \$9.6 million and \$9.9 million as of June 30, 2025 and 2024, respectively.

**Lehigh University**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED**

**June 30, 2025 and 2024**

**NOTE 9 - NET ASSETS**

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

|                                          | <u>2025</u>         | <u>2024</u>         |
|------------------------------------------|---------------------|---------------------|
| Undesignated                             | \$ 397,961          | \$ 395,047          |
| Board designated endowment funds         | 584,997             | 552,285             |
| Annuity and life income funds            | 3,554               | 3,438               |
| Plant funds and capital project reserves | 284,067             | 280,214             |
| Independent operations                   | 66,836              | 66,191              |
|                                          | <u>\$ 1,337,415</u> | <u>\$ 1,297,175</u> |

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

|                                                  | <u>2025</u>         | <u>2024</u>         |
|--------------------------------------------------|---------------------|---------------------|
| Contributions receivable                         | \$ 34,475           | \$ 31,945           |
| Loan funds                                       | 2,989               | 3,438               |
| Annuity and life income funds                    | 45,038              | 42,313              |
| Endowment funds - corpus                         | 676,982             | 654,368             |
| Accumulated gains on endowment funds             | 688,378             | 616,906             |
| Other - related to time and purpose restrictions | 19,657              | 17,287              |
|                                                  | <u>\$ 1,467,519</u> | <u>\$ 1,366,257</u> |

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

**Lehigh University**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED**

**June 30, 2025 and 2024**

**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 \$17.4 million and \$2.0 million at June 30, 2025 and 2024, respectively. Net unamortized bond issuance costs were \$3.0 million and \$1.8 million at June 30, 2025 and 2024, respectively. The following table presents bonds, loans, and notes payable at June 30, (in thousands):

|                                                                                                                                                                                                                                                                                                    | <u>2025</u>       | <u>2024</u>       |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------|-------------------|
| 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 3.78% on June 30, 2024 bonds were supported with a standby bond purchase agreement                                                                     | \$ -              | \$ 9,637          |
| 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% on June 30, 2024                                                                                                                                                   | -                 | 49,887            |
| 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 3.58% and 4.67% on June 30, 2025 and 2024, respectively                                                                                  | 1,400             | 7,062             |
| 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                                                                                                                                                          | 28,430            | 28,604            |
| Series 2016B bonds; tax-exempt variable rate revenue bonds, \$74,950 due serially from November 15, 2017 to November 15, 2039, variable rate of 1.92% and 4.57% on June 30, 2025 and 2024, respectively. Bonds are supported with a standby bond purchase agreement, which expires August 31, 2029 | 69,783            | 70,439            |
| Series 2016 taxable bonds; \$150,000 due serially from November 15, 2044 to November 15, 2046, fixed rate 3.48%                                                                                                                                                                                    | 149,366           | 149,335           |
| Series 2020 taxable bonds; 2.553% to 2.703% fixed rate bonds, \$170,000 due serially from November 15, 2040 to November 15, 2050                                                                                                                                                                   | 169,323           | 169,291           |
| Series 2024 tax exempt bonds; 5.00% fixed rate bonds, \$125,425 due serially from November 15, 2024 to November 15, 2034                                                                                                                                                                           | <u>135,457</u>    | <u>-</u>          |
|                                                                                                                                                                                                                                                                                                    | <u>\$ 553,759</u> | <u>\$ 484,255</u> |

On August 15, 2024, the University issued \$125,425,000 aggregate principal amount of its Series 2024 tax exempt bonds (the 2024 bonds) due November 15, 2034. The 2024 bonds are secured by a pledge of and security interest in the University's gross revenues. The proceeds of the 2024 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 2024 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.

# Lehigh University

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2025 and 2024

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 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, 2025 and 2024.

At June 30, 2025, the aggregate annual maturities of bonds, loans, and notes payable for the next five years and, thereafter, are as follows (in thousands):

|                               |    |                |
|-------------------------------|----|----------------|
| 2026                          | \$ | 6,180          |
| 2027                          |    | 5,415          |
| 2028                          |    | 5,715          |
| 2029                          |    | 6,010          |
| 2030                          |    | 9,800          |
| Thereafter                    |    | <u>506,255</u> |
| Total long-term bonds payable |    | 539,375        |
| Unamortized issuance costs    |    | (2,974)        |
| Unamortized bond premium      |    | <u>17,358</u>  |
|                               | \$ | <u>553,759</u> |

The Series of 2016B bonds bear interest at a weekly rate determined by the remarketing agent. 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 2016B 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 2025.

### 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 \$9.3 million and an asset of \$12.3 million at June 30, 2025 and 2024, respectively. The change in fair value

# Lehigh University

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2025 and 2024

of the interest rate swaps is reflected in nonoperating activity on the statement of activities and was (\$1.9) million and \$1.3 million for the years ended June 30, 2025 and 2024, 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      | \$ -                    | 4.530%          | 67% of USD - 1-month                    | 12/1/2030                  |
| 2004 bonds     | Wells Fargo    | 12/18/2008     | -                       | 1.953           | LIBOR-BBA<br>67% of USD - federal funds | 5/15/2034                  |
| 2007 CPI bonds | JPMorgan Chase | 2/1/2007       | 1,400                   | 4.100           | Variable rate<br>based on CPI-U         | Various thru<br>11/15/2025 |
| 2016B bonds    | Wells Fargo    | 10/6/2016      | 69,935                  | 1.148           | 70% of USD - federal funds              | 11/15/2039                 |
|                |                |                | <u>\$ 71,335</u>        |                 |                                         |                            |

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, 2025 (in thousands):

|                    | Instruction       | Research         | Public Service  | Academic Support | Student Services | Institutional Support | Auxiliary Enterprises | Independent Operations | Total             |
|--------------------|-------------------|------------------|-----------------|------------------|------------------|-----------------------|-----------------------|------------------------|-------------------|
| Salaries and wages | \$ 101,413        | \$ 28,105        | \$ 1,300        | \$ 23,191        | \$ 24,565        | \$ 48,412             | \$ 2,364              | \$ 4,201               | \$ 233,551        |
| Employee benefits  | 35,285            | 6,949            | 362             | 8,784            | 8,650            | 18,513                | 845                   | 1,129                  | 80,517            |
| Purchased services | 2,769             | 12,127           | 288             | 3,644            | 3,352            | 13,598                | 22,515                | 2,457                  | 60,750            |
| Occupancy          | 13,158            | 3,553            | 343             | 3,469            | 3,743            | 6,264                 | 15,890                | 1,557                  | 47,977            |
| Depreciation       | 11,229            | 11,366           | 388             | 3,080            | 3,955            | 6,228                 | 7,954                 | 1,529                  | 45,729            |
| Interest           | 7,734             | 2,145            | 99              | 1,758            | 1,870            | 3,670                 | 182                   | -                      | 17,458            |
| Other expenses     | 16,120            | 7,308            | 1,183           | 11,323           | 8,845            | 10,128                | 12,314                | 5,151                  | 72,372            |
|                    | <u>\$ 187,708</u> | <u>\$ 71,553</u> | <u>\$ 3,963</u> | <u>\$ 55,249</u> | <u>\$ 54,980</u> | <u>\$ 106,813</u>     | <u>\$ 62,064</u>      | <u>\$ 16,024</u>       | <u>\$ 558,354</u> |

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            |
|                    | <u>\$ 182,749</u> | <u>\$ 68,954</u> | <u>\$ 4,659</u> | <u>\$ 51,038</u> | <u>\$ 50,743</u> | <u>\$ 102,664</u>     | <u>\$ 57,483</u>      | <u>\$ 15,875</u>       | <u>\$ 534,165</u> |



**Lehigh University**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED**

**June 30, 2025 and 2024**

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 \$13.6 million and \$13.3 million in 2025 and 2024, 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 2025, the University reimbursed retirees a maximum of \$122.35 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):

|                                         | 2025      | 2024      |
|-----------------------------------------|-----------|-----------|
| Benefit obligation at beginning of year | \$ 45,114 | \$ 49,043 |
| Operating:                              |           |           |
| Service cost                            | 1,609     | 1,939     |
| Benefits paid                           | (1,772)   | (1,674)   |
| Total operating                         | (163)     | 265       |
| Nonoperating:                           |           |           |
| Interest cost                           | 2,477     | 2,535     |
| Actuarial gain                          | -         | 1,442     |
| Assumption changes                      | (737)     | (8,171)   |
| Total nonoperating gain                 | (1,740)   | (4,194)   |
| Benefit obligation at end of year       | \$ 46,691 | \$ 45,114 |

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

|                                                | 2025      | 2024      |
|------------------------------------------------|-----------|-----------|
| Accumulated postretirement benefit obligation: |           |           |
| Retirees                                       | \$ 21,262 | \$ 21,845 |
| Fully eligible active plan participants        | 11,187    | 10,842    |
| Other active plan participants                 | 14,242    | 12,427    |
| Accumulated postretirement benefit liability   | \$ 46,691 | \$ 45,114 |

**Lehigh University**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED**

**June 30, 2025 and 2024**

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

|                                                                            | 2025                              | 2024                              |
|----------------------------------------------------------------------------|-----------------------------------|-----------------------------------|
| Discount rate for net periodic postretirement benefit cost                 | 5.60%                             | 5.25%                             |
| Discount rate for accumulated postretirement benefit obligation            | 5.80                              | 5.60                              |
| Maximum increase in reimbursement rate                                     | Lesser of<br>medical CPI<br>or 8% | Lesser of<br>medical CPI<br>or 8% |
| Healthcare cost trend rate assumed for next year                           | 8.00                              | 6.00                              |
| Rate to which the cost trend rate is assumed to decline<br>(ultimate rate) | 5.00                              | 5.00                              |
| Year that ultimate rate is reached                                         | 2026                              | 2025                              |

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

Fiscal Year Ending June 30:

|                   |    |        |
|-------------------|----|--------|
| 2026              | \$ | 1,882  |
| 2027              |    | 2,053  |
| 2028              |    | 2,168  |
| 2029              |    | 2,274  |
| 2030              |    | 2,391  |
| 2031 through 2035 |    | 13,982 |

**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 \$18.6 million and \$17.7 million in 2025 and 2024, 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.

# Lehigh University

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2025 and 2024

### ***Operating Leases and Other Financing Obligations***

The University leases certain equipment and real property. These leases are classified as operating leases. During the year ended June 30, 2025, these leases have a weighted average remaining lease term of 3.14 years and were calculated using a weighted average discount rate of 2.88% resulting in a present value discount of approximately \$0.1 million. During the year ended June 30, 2024, the 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, 2025 were \$2.8 million and \$2.8 million, respectively, and \$3.8 million and \$3.8 million at June 30, 2024, respectively.

|                                                     | 2025     |
|-----------------------------------------------------|----------|
| Maturity analysis:                                  |          |
| Less than 1 year                                    | \$ 1,090 |
| 1 to 2 years                                        | 752      |
| 2 to 3 years                                        | 722      |
| 3 to 4 years                                        | 352      |
|                                                     | <hr/>    |
| Total undiscounted lease liabilities, end of period | \$ 2,916 |
|                                                     | <hr/>    |

Included in other liabilities is a finance obligation of \$41.6 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 45 years as of June 30, 2025. 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 \$19.7 million and \$42.3 million as of June 30, 2025 and 2024, respectively.

### **NOTE 16 - SUBSEQUENT EVENTS**

The University has evaluated subsequent events through October 15, 2025, the date the consolidated financial statements were issued, and concluded that there were no additional items requiring disclosure.