Xavier University

Financial Statements as of and for the Years Ended June 30, 2023 and 2022, and Independent Auditor's Report

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INDEPENDENT AUDITOR'S REPORT

Board of Trustees
Xavier University
Cincinnati, Ohio

Opinion

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

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

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the 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.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the 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 financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the 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 that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the 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 GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the University'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 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.

Deloitte + Touche LLP

October 23, 2023

XAVIER UNIVERSITY

STATEMENTS OF FINANCIAL POSITION
AS OF JUNE 30, 2023 AND 2022
(Dollars in thousands)

	2023	2022
ASSETS		
CASH	$ 14,406	$ 11,700
SHORT-TERM INVESTMENTS	16,584	7,988
ACCOUNTS AND LOANS RECEIVABLE:		
Student accounts receivable—less allowance for doubtful accounts of of $3,528 and $1,237 in 2023 and 2022, respectively	2,841	4,145
Student loans receivable—less allowance for doubtful loans of $3,525 and $910 in 2023 and 2022, respectively	1,139	1,163
ACCRUED INCOME RECEIVABLE	854	692
CONTRIBUTIONS RECEIVABLE—Net (Note 6)	45,255	30,513
PREPAID EXPENSES, DEFERRED CHARGES—Other assets	7,526	7,694
INVESTMENTS (Note 7)	329,530	352,552
OPERATING LEASE RIGHT-OF-USE ASSETS (Note 17)	1,670	1,988
CONSTRUCTION IN PROGRESS	26,339	15,720
INVESTMENT IN PLANT—Net of accumulated depreciation (Note 10)	334,951	338,264
TOTAL	$ 781,095	$ 772,419
LIABILITIES AND NET ASSETS		
LIABILITIES:		
Accounts payable and accrued expenses	$ 8,989	$ 8,316
Advance payments and deposits	5,992	7,329
Accrued compensation costs	8,449	9,505
Accrued postretirement benefit costs (Note 13)	2,417	2,416
Deferred revenue	12,174	12,034
Interest rate swap	6,408	10,028
Operating lease liabilities (Note 17)	1,136	1,645
Indebtedness (Note 11)	172,570	180,769
Refundable advances (Note 2)	96	268
Total liabilities	218,231	232,310
NET ASSETS:		
Without donor restrictions (Note 4)	271,009	277,797
With donor restrictions (Note 5)	291,855	262,312
Total net assets	562,864	540,109
TOTAL	$ 781,095	$ 772,419

See notes to financial statements.

XAVIER UNIVERSITY

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2023
(Dollars in thousands)

	Without Donor Restrictions	With Donor Restrictions	Total
OPERATING REVENUES:			
Tuition and fees	$ 226,978	$ -	$ 226,978
Less student aid	(110,703)	-	(110,703)
Net tuition	116,275	-	116,275
Sales and services of auxiliary enterprises	52,164	-	52,164
Less student aid	(4,332)	-	(4,332)
Net auxiliary enterprises	47,832	-	47,832
Government grants and contracts	2,456	-	2,456
Private gifts, grants, and contracts	10,005	7,123	17,128
Endowment income used in operations	2,779	8,176	10,955
Investment return—operating	1,502	-	1,502
Other sources	3,125	-	3,125
	183,974	15,299	199,273
Net assets released from restriction	14,023	(14,023)	-
Total operating revenues	197,997	1,276	199,273
OPERATING EXPENSES:			
Instruction	75,840	-	75,840
Public service	905	-	905
Academic support	13,521	-	13,521
Student services	21,975	-	21,975
Institutional support	36,156	-	36,156
Operation and maintenance of plant	16,964	-	16,964
Auxiliary enterprises	48,871	-	48,871
Total operating expenses	214,232	-	214,232
(DECREASE) INCREASE IN NET ASSETS FROM OPERATIONS	(16,235)	1,276	(14,959)
NONOPERATING ACTIVITIES:			
Contributions and change in contributions receivable for nonoperating purposes	-	16,968	16,968
Contributions and change in contributions receivable to endowment funds	-	3,121	3,121
Investment return—net of amounts used in operations	5,825	8,386	14,211
Actuarial change in annuity liability	-	(208)	(208)
Actuarial change in post-retirement health care benefits	2	-	2
Change in fair value of interest rate swap agreements	3,620	-	3,620
INCREASE IN NET ASSETS FROM NON-OPERATING ACTIVITIES	9,447	28,267	37,714
TOTAL (DECREASE) INCREASE IN NET ASSETS	(6,788)	29,543	22,755
NET ASSETS—Beginning of year	277,797	262,312	540,109
NET ASSETS—End of year	$ 271,009	$291,855	$ 562,864

See notes to financial statements.

XAVIER UNIVERSITY

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2022
(Dollars in thousands)

	Without Donor Restrictions	With Donor Restrictions	Total
OPERATING REVENUES:			
Tuition and fees	$ 228,284	$ -	$ 228,284
Less student aid	(104,918)	-	(104,918)
Net tuition	123,366	-	123,366
Sales and services of auxiliary enterprises	47,707	-	47,707
Less student aid	(4,052)	-	(4,052)
Net auxiliary enterprises	43,655	-	43,655
Government grants and contracts	3,165	-	3,165
Private gifts, grants, and contracts	8,473	8,264	16,737
Endowment income used in operations	1,202	7,511	8,713
Investment return—operating	(4,572)	-	(4,572)
Other sources	2,830	-	2,830
	178,119	15,775	193,894
Net assets released from restriction	14,896	(14,896)	-
Total operating revenues	193,015	879	193,894
OPERATING EXPENSES:			
Instruction	76,361	-	76,361
Public service	1,078	-	1,078
Academic support	11,265	-	11,265
Student services	19,517	-	19,517
Institutional support	32,971	-	32,971
Operation and maintenance of plant	15,142	-	15,142
Auxiliary enterprises	43,081	-	43,081
Total operating expenses	199,415	-	199,415
INCREASE (DECREASE) IN NET ASSETS FROM OPERATIONS	(6,400)	879	(5,521)
NONOPERATING ACTIVITIES:			
Contributions and change in contributions receivable for nonoperating purposes	-	(6,850)	(6,850)
Contributions and change in contributions receivable to endowment funds	2,100	4,934	7,034
Investment return—net of amounts used in operations	(12,778)	(31,087)	(43,865)
Actuarial change in annuity liability	-	373	373
Actuarial change in post-retirement health care benefits	(227)	-	(227)
Loss on contract termination	(1,956)	-	(1,956)
Change in fair value of interest rate swap agreements	9,877	-	9,877
Decrease in net assets from nonoperating activities	(2,984)	(32,630)	(35,614)
DECREASE IN NET ASSETS	(9,384)	(31,751)	(41,135)
NET ASSETS—Beginning of year	287,181	294,063	581,244
NET ASSETS—End of year	$ 277,797	$262,312	$ 540,109

See notes to financial statements.

XAVIER UNIVERSITY

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED JUNE 30, 2023 AND 2022
(Dollars in thousands)

	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES:		
Change in net assets	$ 22,755	$ (41,135)
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	20,637	20,009
Amortization of bond premium and discount	(1,504)	(1,572)
Provision for losses on student loans	94	65
Provision for losses on contributions receivable	1,350	31
Decrease (increase) in accounts receivable	1,303	(222)
Decrease (increase) in contributions receivable	(16,092)	7,942
Decrease (increase) in accrued income receivable	(162)	4,463
Decrease (increase) in prepaid expenses, deferred charges, and other assets	475	(755)
(Decrease) in accounts payable and other accrued liabilities	(2,264)	(11,406)
Increase (decrease) in deferred revenue	140	(1,168)
Contributions to endowment and similar funds	(5,508)	(7,453)
Decrease in interest rate swap liability	(3,620)	(9,877)
Change in net realized and unrealized losses (gains) on investments	(21,986)	44,103
Net cash (used in) provided by operating activities	(4,382)	3,025
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from sales of investments	202,822	246,538
Purchases of investments	(166,412)	(250,878)
Purchases of property and equipment	(27,893)	(27,629)
Student loans issued	(196)	(212)
Student loans repaid	127	363
Net cash provided by (used in) investing activities	8,448	(31,818)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Contributions to endowment and similar funds	5,508	7,453
Payments of bonds and notes payable	(6,695)	(4,165)
Grants advanced	(173)	(362)
Net cash (used in) provided by financing activities	(1,360)	2,926
NET CHANGE IN CASH	2,706	(25,867)
CASH—Beginning of year	11,700	37,567
CASH—End of year	$ 14,406	$ 11,700
SUPPLEMENTAL DISCLOSURES:		
Property and equipment in accounts payable and accrued expenses	$ 37	$ 85
Interest paid	$ 7,790	$ 7,921

See notes to financial statements.

1. ORGANIZATION

Xavier University (the "University") is a not-for-profit co-educational institution founded and sponsored by the Society of Jesus ("the Jesuits") located on a 190-acre campus in Cincinnati, Ohio. The University was founded in 1831 and currently enrolls approximately 7,000 students in undergraduate and graduate programs. The University is a qualifying organization under Section 501(c)(3) of the Internal Revenue Code (the "Code").

In March 2020, the World Health Organization declared the novel coronavirus (COVID-19) a pandemic. While COVID-19 cases have declined at the University and within the region, the University continues to monitor the health of its students and employees and has contingency plans in place in the event there is a significant increase in cases. An increase in cases could materially affect the University's ability to conduct its operations, the cost of its operations, and the generation of certain revenue, including from enrollment and other auxiliary services, as well as from fluctuations in financial markets and fundraising, and such effects could be consequential to the University.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation—The financial statements are presented on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (US GAAP).

The financial statements include the consolidated financial information of several entities that it controls which hold title to various parcels of land, primarily on which the University resides. The University fully funds these entities and any related property acquisitions, improvements, and expenses. The University is the sole controlling entity. The University also has a controlling interest in its affiliation with a local healthcare organization for the not-for-profit entity Xavier University Student Health and Wellness Center Corporation ("Center Corp") (see Note 18). Center Corp's financial activity is consolidated into the University's financial statements.

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

Net Assets without Donor Restrictions—Net assets that are not subject to explicit donor-imposed stipulations. Net assets without donor restrictions may be designated for specific purposes by action of the Board of Trustees (the "Board") or the University, or may otherwise be limited by contractual agreements with outside parties.

Net Assets with Donor Restrictions—Net assets subject to donor-imposed stipulations that may or will be met either by actions of the University and/or the passage of time. These also include net assets that are to be maintained permanently by the University. Generally, all or part of the income earned on investments with these restrictions may be used by the University for general or specific purposes consistent with the donor-imposed stipulations.

Revenues from sources other than contributions are reported as increases in net assets without donor restrictions unless use of the related assets is limited by imposed restrictions. Contributions are reported as increases in the appropriate category of net assets. Expenses are reported as decreases in net assets without donor restrictions. Expirations of donor restrictions on net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as net assets released from restriction on the statements of activities. Restrictions on gifts to acquire long-lived assets are considered met in the period in which the assets are acquired or placed in service.

Realized and unrealized gains and losses on investments are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulations or by law. The Ohio Uniform Prudent Management of Institutional Funds Act ("UPMIFA") allows the Board to appropriate a percentage of the net appreciation on endowment accounts as is prudent considering the University's present and anticipated financial requirements, expected total return on investments, market price trends, and general economic conditions, unless directed by the donor's intent. The endowment spending policy is based on a spending rate established by the Board. This rate represents the expected long-term return on endowment investments less an allowance for the preservation and growth of principal.

Contributions, including unconditional promises to give ("contributions receivable"), are recognized as revenues in the period received. Conditional promises to give are not recognized until the conditions on which they depend are substantially met. Contributions of assets other than cash are recorded at their estimated fair value at the date of gift. Contributions to be received after one year are discounted at a rate commensurate with the time period over which payments are to be made. Collectability is reviewed periodically, and appropriate reserves are maintained. Amortization of the discount is recorded as additional contribution revenue in accordance with donor-imposed restrictions, if any, on the contributions based upon management's judgment and analysis of the creditworthiness of the donors, past collection experience, and other relevant factors.

Revenue—Revenue is recognized upon transfer of control of promised goods or services to customers in an amount that reflects the consideration the University expects to receive in exchange for those goods or services. Revenues from contracts with customers is derived primarily from tuition, student program fees and auxiliary activities.

The University disaggregates revenue based on revenue stream and believes that the following information provides a reasonable representation of how performance obligations relate to the nature, amount, timing and uncertainty of revenue and cash flows.

Tuition and fees are generally collected in advance and are initially recorded as deferred revenue. The University does not recognize revenue until after the add/drop date due to uncertainty related to those events. Generally, the University offers refunds for classes to students who decide to withdraw from a course prior to the add/drop date. After the add/drop date, no refund is granted. Historically, the University has not had material refunds after the add/drop date.

Tuition scholarships awarded by the University represent a reduction of the tuition transaction price. The University awards both need-based and merit-based scholarships. Scholarships are generally awarded for the academic year and are applied to the students' account during each academic term. Academic terms are determined by regulatory requirements mandated by the federal government and/or applicable accrediting body. The University's academic terms consist of a Fall, Spring, and Summer terms. Academic terms are determined by start dates, which vary by program and are generally 8–16 weeks in length. Except for certain programs in the Summer term, the academic terms generally have start and end dates that fall within the University's fiscal year.

Auxiliary services revenue consists primarily of fees for room and dining services ("board"), athletics, noncredit programs, and facilities rentals. The University considers each type of auxiliary services revenue as separate performance obligations.

Room fees are charged at different rates depending on the residence facility and room accommodations. Room fees are billed in advance of each academic term and recognized as revenue during the period over which the housing is provided. While the University believes the residential experience is an integral part of a student's education and experience, the University considers the residential arrangement to be a distinct performance obligation from the academic services. Although first- and second-year students are expected to live on campus, exemptions may be granted, primarily for students living with family or married students.

Dining service fees are charged at different rates depending on the level of access to dining services selected by the student. Dining services are generally billed in advance of each academic term and are recognized as revenue over the period during which the dining services are offered.

Some scholarships may be applied against room and board and therefore represent a reduction of the transaction price. Such awards are generally granted for the academic year and are applied to the student's account during each academic term. Room and board scholarships of $4,332 and $4,052 were included as a reduction in auxiliary services revenue for the years ended June 30, 2023 and 2022, respectively.

Revenue earned from athletic ticket sales, athletic conference distributions, and sponsorships and for various conference services offered by the University are recognized as services are performed or once the performance obligations are complete.

Other operating revenue consists of revenue generated by the University under contractual arrangements deemed to be exchange transactions. Major revenue streams in this category include rental income generated by various residential and commercial properties owned by the University including summer rentals, the University's Montessori school and related childcare program, and other supplemental income. Revenue from these activities is generally recognized as services are performed or when the performance obligation is satisfied.

The majority of the University's revenues from contracts with customers are from performance obligations with an initial expected duration of one year or less. Prices are specific to a distinct performance obligation and do not consist of multiple transactions.

The University records deferred revenue in situations when amounts are invoiced but the revenue recognition criteria outlined above are not met. Such revenue is recognized when all criteria are subsequently met. Deferred revenue for revenue from contracts is classified as liabilities on the statements of financial position and as of June 30, 2023 and 2022, were $12,174 and $12,034, respectively.

Use of Estimates—University management has made estimates and assumptions relating to the reporting of assets and liabilities and the disclosure of assets and liabilities to prepare these financial statements in conformity with US GAAP. Actual results could differ from those estimates.

Cash and Short-Term Investments—Cash consists principally of amounts held in checking and savings accounts in various financial institutions with an original maturity of three months or less. Short-term investments may consist of commercial paper, certificates of deposit, short-term fixed income securities, cash equivalents held in managed accounts and US treasuries. All short-term investments are recorded at fair value.

Financial instruments that potentially subject the University to significant concentrations of credit risk consist principally of cash deposits. The University maintains cash balances at financial institutions with a credit rating of A with Fitch Ratings. Generally, amounts invested with financial institutions are in excess of Federal Deposit Insurance Corporation insurance limits.

Accounts and Loans Receivable—Accounts receivable consist of amounts due from students for tuition, fees, room, and board. Loans receivable consist primarily of loans made to students under US government loan programs. Accounts and loans receivable are recorded at estimated net realizable value. The allowances for doubtful accounts and loans are based on expected collections on these accounts and loans.

Income Taxes—The University is a qualifying organization under Section 501(c)(3) of the Code and is, therefore, exempt from federal income taxes on related income pursuant to Section 501(a) of the Code. The University is subject to routine audits by taxing jurisdictions and there are currently no audits for any tax periods in progress. The University believes it is no longer subject to income tax examinations for years prior to 2019. As of June 30, 2023, the University has no uncertain tax positions.

Investments—The University's investments are reported at fair value and have been categorized based on the fair value hierarchy in accordance with the Accounting Standards Codification 820 (ASC 820), *Fair Value Measurements and Disclosures* (see Notes 7 and 16). Investments in equity securities with readily determinable fair values and all investments in debt securities are recorded at fair value. Other investments including real estate are recorded at cost or, if acquired by gift, at fair value at the date of gift. Fair values for certain private equity, real estate, and hedge fund investments held through limited partnerships or commingled fund shares are estimated by the respective external investment managers if market values are not readily ascertainable and are considered by the University as nonmarketable alternative investments. These valuations require the use of assumptions and estimation methods which are uncertain; and therefore, the estimates could differ materially from actual results. The fair value of nonmarketable alternative investments may be based on historical cost, obtainable prices for similar assets, or other estimates. The University reviews and evaluates the values provided by the investment managers and agrees with the valuation methods and assumptions used in determining the fair value of the alternative investments. Alternative investments are less liquid than the University's other investments.

Investment in Plant—Fixed assets are recorded at cost at the date of acquisition or fair value at the date of donation. The estimated useful lives are as follows:

Land improvements	20 years
Buildings	40 years
Building improvements	20 years
Leasehold improvements	20 years or life of lease (whichever is shorter)
Equipment	5–20 years
Library collection	20 years

Collections—The University's collections of art, which were acquired through purchases and contributions since the organization's inception, are not recognized as assets on the statements of financial position. Purchases of collection items are recorded as decreases in net assets without donor restrictions in the year in which the items are acquired or as decreases in net assets with donor restrictions if the assets used to purchase the items are restricted by donors. Proceeds from deaccessions or insurance recoveries are reflected as increases in the appropriate net asset classes. There were no changes in the University's collections of art as of June 30, 2023 or 2022.

Refundable Advances—Funds provided by the US government under the Federal Perkins Loan Program are loaned to qualified students. The Federal Perkins Loan Program ended on September 30, 2017 and no new disbursements were made after June 30, 2018. These funds are ultimately refundable to the government and, therefore, are recorded as a liability in the accompanying financial statements. The amount of government refundable advances at June 30, 2023 and 2022 was $96 and $268, respectively.

Operations—The statement of activities reports the change in net assets from operating and nonoperating activities. Operating revenues consist of substantially all the activities of the University except for certain items specifically considered to be of a nonoperating nature. Contributions included in nonoperating activities consist of gifts restricted for the acquisition of capital assets and gifts restricted to endowment funds. All revenue from contributions that are considered to be restricted due to a time restriction or a purpose restriction is included in nonoperating activities until the time such restriction has passed, at which time, the amounts are deducted from contributions and change in contributions receivable for nonoperating purposes and are included in private gifts, grants, and contracts operating revenues in the statement of activities. Nonoperating activities also include realized and unrealized gains or losses on investments, endowment income in excess of the established spending policy, and significant items of an unusual or nonrecurring nature.

Liquidity—Assets and liabilities are listed in their estimated order of liquidity. For those accounts for which such liquidity is unclear, additional disclosures have been made in the notes to the University's financial statements.

Insurance Reserves—The University is self-insured for certain losses relating to employee medical benefit claims and has purchased stop-loss insurance coverage to limit financial exposure to such claims. Medical benefit liabilities are estimated based on actual claims filed and estimates of claims incurred but not reported and by considering known trends and projections of future claims. The amounts actually incurred may vary from these estimates.

Financial Instruments—As of June 30, 2023 and 2022, certain financial instruments held by the University were subject to enforceable master netting arrangements by various counterparties. In general, the terms of these agreements provide that, in the event of an early termination, the counterparties have the right to offset amounts owed or owing under that and any other agreement with the same counterparty. The University's accounting policy is to offset these positions in the statements of financial position. If certain financial conditions are met, the counterparties to certain financial instruments held by the University may require the University to post collateral to secure the University's contract position. There was no collateral required to secure the University's contract position as of June 30, 2023 and 2022.

Split Interest Agreements—The University has entered into split interest agreements including charitable remainder trusts and gift annuities which provide that the University, as trustee, makes payments to designated beneficiaries in accordance with the applicable donor's trust or annuity agreement. The University is also the beneficiary of charitable trusts held by third-party trustees that are accounted for as unconditional promises to give.

At the date of contribution, the University records a split interest agreement obligation to life beneficiaries based on the present value of the estimated payments to designated life beneficiaries. All valuations are classified as Level 2 within the fair value hierarchy based on a combination of the market and income valuation techniques, considering historical and projected cash flow and net income, collectability, and default rates.

The University's liability under these agreements represents the present value of estimated future payments. This fair value estimate may not be indicative of the actual net realizable value or reflective of future fair values. The University believes its valuation methods are appropriate and consistent with practices used to estimate the fair value of these obligations, and the use of different methodologies or assumptions to determine the fair value of similar liabilities could result in a different fair value measurement at the reporting date (see Note 8).

Recent Accounting Pronouncements—In March 2020, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2020-04, *Facilitation of the Effects of Reference Rate Reform on Financial Reporting*. The ASU is intended to provide temporary optional expedients and exceptions to the US GAAP guidance on contract modifications and hedge accounting to ease the financial reporting burdens related to the expected market transition from the London Interbank Offered Rate (LIBOR) and other interbank offered rates to alternative reference rates. This guidance is effective beginning on March 12, 2020, and the University may elect to apply the amendments prospectively through the year ending June 30, 2023. The adoption of ASU 2020-04 did not have a significant impact on the financial statements or the financial disclosures.

In June 2016, the FASB issued ASU 2016-13, *Financial Instruments—Credit Losses (Topic 326)*, which requires a financial asset (or group of financial assets) measured at amortized cost basis to be presented at the net amount expected to be collected. The allowance for credit losses is a valuation account that is deducted from the amortized cost basis of the financial asset(s) to present the net carrying value at the amount expected to be collected. The measurement of credit losses for newly recognized financial assets, as well as expected increases or decreases of expected credit losses that have taken place during the period, is reflected on the statement of activities. The measure of expected credit losses is based on relevant information about past events, including historical experience, current conditions, and reasonable and supportable forecasts that affect the collectability of the reported amount; management's judgment is to be used in determining the relevant information and estimation methods that are appropriate in the entity's circumstances. ASU 2016-13 requires enhanced disclosures that include qualitative and quantitative requirements that provide additional information about the amounts recorded in the financial statements. On October 16, 2019, the FASB approved a delay in the proposed effective date making ASU 2016-13 effective for the fiscal years beginning after December 15, 2022. The University is currently evaluating the impact this guidance may have on its financial statements.

3. LIQUIDITY AND AVAILABILITY OF RESOURCES

Financial assets due within one year of the balance sheet date for general expenditures as of June 30, 2023 and 2022 are as follows:

	2023	2022
Total assets at year-end	$ 781,095	$ 772,419
Less financial assets not available for general expenditures within one year and nonfinancial assets:		
Assets with purpose restrictions	378	396
Student loans receivable—net	1,139	1,163
Accrued income receivable	854	692
Contributions receivable with time or purpose restrictions	44,282	30,254
Prepaid expenses, deferred charges—other assets	7,526	7,694
Donor-restricted endowment funds	196,934	183,720
Board or University designated endowment funds	46,887	41,714
Other investments with purpose restrictions	5,589	5,283
Operating lease right-of-use assets	1,670	1,988
Construction in progress	26,339	15,720
Investment in plant—net	334,951	338,264
Financial assets available at year-end for general expenditures	$ 114,546	$ 145,531

The University invests cash in excess of operating requirements in a combination of short, medium and long-term operating investments in accordance with policies approved by its Board. The University also maintains a $5,000 line of credit with a bank that can be used to fund short-term liquidity needs. Additionally, amounts from its Board or University designated endowment funds can be made available to fund liquidity requirements upon approval of the Board, if necessary; however, the University does not intend to draw from its Board or University designated endowments other than amounts appropriated for general expenditure as part of its annual budget approval and appropriation. Both designated endowment funds and donor-restricted endowments are held in a unitized pool of investments, and certain of those investments contain lock-up provisions that would reduce the total amount of investments that could be made available to fund liquidity requirements.

The University's endowment funds consist of donor-restricted and Board or University designated endowment funds. Income from donor-restricted endowment funds is restricted for specific purposes and some for general University expenditures. See Note 9 for disclosures about endowment funds.

4. NET ASSETS WITHOUT DONOR RESTRICTIONS

Net assets without donor restrictions at June 30, 2023 and 2022 are available for the following purposes:

	2023	2022
Plant operations—net of debt	$ 161,464	$ 141,489
University operations and general reserves	46,004	77,038
Board or University designated endowments (see Note 9)	46,887	41,714
Contributed capital from affiliated entity	16,653	17,533
Loans	1	23
Total net assets without donor restrictions	$ 271,009	$ 277,797

Net assets released from net assets with donor restrictions are as follows:

	2023	2022
Satisfaction of purpose and time restrictions	$ 14,023	$ 14,896

5. NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions at June 30, 2023 and 2022 are available for the following purposes:

	2023	2022
Specific purpose:		
Student loan funds	$ 1,831	$ 1,607
Awards for students and faculty	2,302	2,160
Capital and capital improvements	33,998	19,797
General endowments and operations	91,431	85,343
Professors and chairs	20,322	19,596
Scholarships	126,388	115,886
Charitable trusts	2,763	2,795
Passage of time—General endowments and operations	12,820	15,128
Total net assets with donor restrictions	$ 291,855	$ 262,312

The above includes net assets with time or purpose restrictions of $158,327 and $130,607 as of June 30, 2023 and 2022, respectively; and net assets restricted in perpetuity of $133,528 and $131,705 as of June 30, 2023 and 2022, respectively.

6. CONTRIBUTIONS RECEIVABLE

Contributions receivable at June 30, 2023 and 2022 consist of the following:

	2023	2022
Unconditional promises expected to be collected in:		
Less than one year	$ 13,690	$ 8,998
One year to five years	27,615	16,544
Five years and thereafter	7,632	7,302
Total	48,937	32,844
Less allowance for uncollectible contributions	(2,502)	(1,642)
Discount for present value	(1,179)	(689)
Total	$ 45,256	$ 30,513

Contributions receivable were discounted at rates ranging from 3.81% to 4.87% as of June 30, 2023 and 0.28% to 3.01% as of June 30, 2022, respectively.

7. INVESTMENTS

Investments at June 30, 2023 and 2022 are composed of the following:

	2023		2022	
	Cost	Market Value	Cost	Market Value
Long-term investments:				
US government and agency obligations	$ 10,294	$ 9,910	$ 8,829	$ 8,113
Corporate stocks and stock funds	134,435	174,822	127,843	154,242
Corporate bonds and bond funds	70,902	65,477	109,735	101,985
Mortgage and asset-backed securities	13,556	13,331	27,125	26,740
Alternative investments	59,949	64,200	55,356	59,682
Real estate	1,790	1,790	1,790	1,790
Total long-term investments	$ 290,926	$ 329,530	$ 330,678	$ 352,552
Short-term investments	$ 16,584	$ 16,584	$ 7,988	$ 7,988

Investment activity for the years ended June 30, 2023 and 2022 was as follows:

	2023	2022
Dividend, interest, and other investment income	$ 5,560	$ 5,223
Net change in realized and unrealized gains (losses)	21,985	(44,103)
Outside investment management fees	(877)	(819)
Other investment-related expenses	-	(25)
Total investment income, including net gains (losses)—net of fees and expenses	26,668	(39,724)
Less endowment income used in operations	10,955	8,713
Less investment return—operating	1,502	(4,572)
Investment return—net of amounts used in operations	$ 14,211	$ (43,865)

Endowment income used in operations is composed of endowment appropriations for donor-designated or Board or University designated operating purposes such as student scholarships and instructional expenses. Investment income used in operations includes investment income earned on excess operating funds and funds without donor or designated restrictions. Investment income included in nonoperating activities primarily includes accumulated but not yet appropriated endowment earnings or losses and investment income earned on unused funds set aside or restricted by donors for capital purposes.

8. SPLIT INTEREST AGREEMENTS

The University received $0 and $2,010 in contributions related to split interest agreements for the years ended June 30, 2023 and 2022, respectively. The present value of these agreements is based on actuarially determined life expectancy tables, trust asset growth assumptions, and discount rates ranging from 2.06% to 3.03%. A summary of assets held and obligations related to split interest agreements as of June 30, 2023 and 2022 follows:

	2023	2022
Assets:		
Charitable remainder trusts	$ 2,739	$ 2,751
Charitable gift annuities and trusts	2,567	2,552
Total	5,306	5,303
Liabilities—split interest agreement obligations	(1,853)	(1,889)
Net split interest agreement asset	$ 3,453	$ 3,414

Charitable gift annuity assets are separate and distinct funds, managed as independent accounts of the University. The University maintains reserves of an amount at least equal to the designated beneficiary payments on all the outstanding gift annuity contracts.

9. ENDOWMENT FUNDS

The University's endowment consists of approximately 600 individual funds established for a variety of purposes, such as scholarships, endowed chairs, departmental and operating priorities, and other institutional support. The endowment includes both donor-restricted endowment funds and funds designated by the Board or University to function as endowments. Funds designated by the Board and the University to function as endowments are treated as net assets without donor restrictions.

The University classifies as net assets with donor restrictions the original value of gifts donated to the permanent endowment, the original value of subsequent gifts to the permanent endowment, and accumulations to the permanent endowment made in accordance with directions of the applicable donor instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund that is restricted is classified as net assets with donor restrictions until those amounts are appropriated for expenditure.

Endowment Net Asset Composition by Type of Fund as of June 30, 2023	**Without Donor Restrictions**	**With Donor Restrictions**	**Total**
Donor-restricted	$ -	$ 196,934	$ 196,934
Board or University designated	46,887	-	46,887
Total funds	$ 46,887	$ 196,934	$ 243,821
Changes in Endowment Net Assets for the Year Ended June 30, 2023			
Endowment net assets—June 30, 2022	$ 41,714	$ 183,720	$ 225,434
Contributions and other additions	2,100	3,408	5,508
Total investment return—net	5,852	17,982	23,834
Amounts appropriated for expenditure	(2,779)	(8,176)	(10,955)
Endowment net assets—June 30, 2023	$ 46,887	$ 196,934	$ 243,821

Endowment Net Asset Composition by Type of Fund as of June 30, 2022	**Without Donor Restrictions**	**With Donor Restrictions**	**Total**
Donor-restricted	$ -	$ 183,720	$ 183,720
Board or University designated	41,714	-	41,714
Total funds	$ 41,714	$ 183,720	$ 225,434

Changes in Endowment Net Assets for the Year Ended June 30, 2022			
Endowment net assets—June 30, 2021	$ 52,499	$ 206,833	$ 259,332
Contributions and other additions	2,100	5,353	7,453
Total investment return—net	(11,683)	(20,955)	(32,638)
Amounts appropriated for expenditure	(1,202)	(7,511)	(8,713)
Endowment net assets—June 30, 2022	$ 41,714	$ 183,720	$ 225,434

Endowment assets with donor restrictions reflect the portion of perpetual endowment funds that is to be retained permanently based on either explicit donor stipulations or, absent specific donor stipulations, on management's interpretation of its responsibilities to retain such funds in perpetuity under UPMIFA.

The University has adopted investment and spending policies for endowment assets that are intended to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets over time. Endowment assets include those assets of donor-restricted funds that must be held in perpetuity or for a donor-specified period as well as Board or University designated funds. Under this policy, the endowment assets are invested in a manner that is intended to provide for the preservation of capital with an emphasis on long-term growth without significant risk exposure.

To satisfy its long-term return objectives, the University relies on a total return strategy in which investment returns are achieved through both capital appreciation and annual income. The University utilizes a diversified asset allocation to achieve its long-term objectives within prudent risk constraints.

The University has adopted a spending policy which appropriates 4.25% of the average fair value of each endowment fund over the rolling prior 12 quarters for distribution each year. In establishing this policy, the University considered the long-term expected return on its endowment.

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level stipulated by the donor or the amount determined by management based on its interpretation of its responsibilities under UPMIFA. As of June 30, 2023, the fair value of certain donor-restricted endowment funds of $4,495 was less than the historical values of $4,693 resulting in deficiencies of $198. As of June 30, 2022, the fair value of certain donor-restricted endowment funds of $10,183 was less than the historical values of $10,816 resulting in deficiencies of $633. These deficiencies resulted from unfavorable market fluctuations that occurred after the investment of the donor-restricted contributions and are included in net assets with donor restrictions.

10. INVESTMENT IN PLANT

The components of the University's investment in plant at June 30, 2023 and 2022, are as follows:

	2023	2022
Land	$ 34,159	$ 34,159
Land improvements	49,906	49,460
Buildings and building improvements	475,495	460,825
Leasehold improvements	162	162
Equipment	47,531	45,337
Library collection	816	816
	608,069	590,759
Less accumulated depreciation	(273,118)	(252,495)
Investment in plant—net	$ 334,951	$ 338,264

Depreciation expense was $20,637 and $20,009 for the years ended June 30, 2023 and 2022, respectively.

11. INDEBTEDNESS

Indebtedness at June 30, 2023 and 2022, consists of the following:

	2023	2022
2015 Series C—principal due annually beginning May 2016 through May 2038, interest rate ranges from 3.00% to 5.00% (original issue premium of $5,232)	$ 37,540	$ 40,110
2020 Series—principal due annually beginning May 2023 through May 2040, interest rate 4.00% and 5.00% (original issue premium of $11,020)	44,855	47,185
2015 Series B—principal due annually beginning May 2016 through May 2042, with February 1, 2025 mandatory tender date, variable interest rate, resets monthly, 1.45% at June 30, 2022	38,660	39,950
2016 Series—principal due annually beginning May 2017 through May 2042, interest rate ranges from 3.00% to 5.00% (original issue premium of $189)	21,910	22,415
2015 Series A—principal due annually beginning May 2032 through May 2042, with February 1, 2025 mandatory tender date, variable interest rate, resets monthly, 1.45% at June 30, 2022	22,575	22,575
	165,540	172,235
Net unamortized premium	8,301	9,881
Unamortized indebtedness issuance costs	(1,271)	(1,347)
Total indebtedness	$ 172,570	$ 180,769

The annual maturities of indebtedness for the years ending June 30, are as follows:

Years Ending June 30	
2024	$ 7,035
2025	7,390
2026	7,770
2027	8,160
2028	8,580
Thereafter	126,605
	165,540
Net unamortized premium	8,301
Unamortized indebtedness issuance costs	(1,271)
Total indebtedness	$ 172,570

The outstanding State of Ohio Higher Educational Facility Revenue Bonds ("Bonds") are secured by a pledge of University revenues. The Pledge Agreement ("Agreement") secures substantially all the University's indebtedness and the University's obligations to any credit or liquidity facility providers or counterparties to derivative agreements relating to the Bonds. All of these obligations are secured on a parity basis and the Agreement also provides a mechanism for the University to secure future indebtedness on a parity basis. The Bonds include certain financial covenants; as of June 30, 2023, the University believes it was in compliance with these financial covenants.

Interest expense was approximately $6,211 and $6,252 for the years ended June 30, 2023 and 2022, respectively. The University did not capitalize any interest for the years ended June 30, 2023 and 2022.

In 2008, the University entered into interest rate swap agreements with Barclays Capital and Deutsche Bank AG. These swap agreements were amended in 2015 and have the effect of fixing the rate of interest on certain series of the Bonds, as follows:

Bonds	**Notional Amount**	**University Pays**	**University Receives**	**Maturity Date**
Series 2015A	$ 22,575	3.316%	67% * (SOFR + 11.448 bps)	May 2042
Series 2015B	38,660	3.658%	67% * (SOFR + 11.448 bps)	May 2042

The University's estimated liability to terminate the swap agreements was $6,408 and $10,028 as of June 30, 2023 and 2022, respectively. These amounts are reflected separately in liabilities in the statements of financial position. The change in the fair value of the interest rate swap agreements of $3,620 and $9,877 for the years ended June 30, 2023 and 2022, respectively, is included in nonoperating activities in the statements of activities.

The University has a $5,000 line of credit with a bank. The line of credit is unsecured. Principal balances outstanding are payable on the expiration date with interest due monthly at an annual rate equal to 1.10% plus the greater of (i) zero percent (0.0%) and (ii) the one-month forward looking term rate based on the Secured Overnight Financing Rate (SOFR) quoted by the Lender. There were no balances outstanding on the line of credit as of June 30, 2023 or 2022. The line of credit expires on February 21, 2024.

12. RETIREMENT PLAN

The University has a 403(b) contributory retirement plan (the Plan) through Teachers Insurance and Annuity Association (TIAA) that covers substantially all full-time employees immediately upon employment by the University. University contributions to the plan range from 8.50% to 10.00% of eligible compensation. Plan participants are also required to make contributions to the plan ranging from 2.00% to 5.00% of their compensation.

The University made contributions of approximately $6,762 and $4,574 for the years ended June 30, 2023 and 2022, respectively. The contributions for 2021 include a one-time payment of approximately $5,400 made in July 2021 to make eligible participants whole for contributions that were suspended during the 2021 fiscal year. All contributions are fully vested immediately.

The University believes that the Plan is designed and operated in compliance with the applicable requirements of the Internal Revenue Code.

13. POSTRETIREMENT HEALTH CARE BENEFITS

The University sponsors a defined benefit health care plan that provides postretirement medical benefits to full-time employees who meet minimum age and service requirements. The plan is noncontributory for non-faculty employees who retired prior to December 31, 1994 and faculty who retired as of May 13, 1995.

For employees who met certain age and service requirements as of January 1, 1995, the plan has been amended to require employee contributions and establish a maximum monthly benefit to be provided by the University.

Postretirement benefit expense includes the following components as of June 30, 2023 and 2022:

	2023	**2022**
Service cost of benefits earned	$ 73	$ 68
Interest cost on liability	96	46
Amortization of net actuarial gain	-	(25)
Net periodic postretirement benefit cost	$ 169	$ 89

The following table summarizes the amounts reflected on the statements of financial position, as well as the change in fair value of plan assets, and the funded status of the postretirement benefit plan as of June 30, 2023 and 2022:

	2023	2022
Changes in projected benefit obligations:		
Benefit obligation—beginning of year	$ (2,416)	$ (2,189)
Service cost	(73)	(68)
Interest cost	(96)	(46)
Participants' contributions	-	-
Medicare Part D reimbursements	-	-
Actuarial (loss) gain	(32)	(221)
Benefits paid	200	108
Benefit obligation—end of year	$ (2,417)	$ (2,416)
Change in fair value of plan assets:		
Fair value of plan assets—beginning of year	$ -	$ -
Employer contributions	200	108
Participants' contributions	-	-
Medicare Part D reimbursements	-	-
Benefits paid	(200)	(108)
Fair value of plan assets—end of year	$ -	$ -
Reconciliation of funded status:		
Projected benefit obligation in excess of fair value of plan assets	$ (2,417)	$ (2,416)
Unrecognized transition obligation	-	-
Unrecognized actuarial loss	-	-
Net statement of financial position liability	$ (2,417)	$ (2,416)

The following weighted-average assumptions were made in determining the postretirement benefit obligation and the postretirement benefit cost as of June 30, 2023 and 2022:

	2023	2022
Weighted-average discount rate used to determine the projected benefit obligation	4.80 %	4.17 %
Weighted-average discount rate assumption used to determine the net periodic benefit cost	4.17	2.22

The health care cost trend rate assumption has a significant effect on the amounts reported in the financial statements. The following health care cost trend rates were assumed in the determination of the postretirement benefit obligation and net periodic benefit cost as of June 30, 2023 and 2022:

	2023	2022
Health care cost trend rate assumed for the current year	4.00 %	5.00 %
Ultimate health care cost trend rate	4.00 %	4.00 %
Year that rate reaches the ultimate trend rate	2023	2024

The following benefit payments, net of participants' contributions, and Medicare Part D reimbursements, which reflect expected future service, are expected to be paid:

Years Ending June 30	Benefit
2024	$ 208
2025	214
2026	229
2027	251
2028	268
2029–2032	1,146

14. FUNCTIONAL EXPENSES

Expenses are presented by functional classification in accordance with the overall mission of the University. The financial statements report certain categories of expenses that are attributable to one or more programs or supporting functions of the University. Expenses reported by functional categories include allocations of costs for operation and maintenance of plant, interest on indebtedness, and depreciation and amortization expense. The University applies various methods to allocate costs among the program and support functions, the most significant of which is by time and effort.

Operating expenses by functional and natural classification for the years ended June 30, 2023 and 2022 were as follows:

2023	Instruction	Public Service	Academic Support	Student Services	Institutional Support	Operation and Maintenance of Plant	Auxiliary Enterprises	Total 2023
Salaries	$40,913	$425	$ 6,817	$ 9,488	$14,969	$ 3,240	$10,893	$ 86,745
Benefits	12,498	117	2,051	3,005	5,506	1,241	2,597	27,015
Depreciation, amortization, and interest	6,636	139	1,108	2,917	1,805	1,560	12,759	26,924
Office expenses	2,090	112	632	3,342	1,435	334	2,468	10,413
Travel, conference, and meetings	1,998	54	666	1,392	784	35	6,103	11,032
Cost of sales	-	-	-	2	-	-	9,514	9,516
Repairs and maintenance	95	-	17	127	3,231	6,271	457	10,198
Professional services	1,261	53	354	314	4,049	60	1,097	7,188
Other	10,349	5	1,876	1,388	4,377	4,223	2,983	25,201
Total	$75,840	$905	$13,521	$21,975	$36,156	$16,964	$48,871	$214,232

2022	Instruction	Public Service	Academic Support	Student Services	Institutional Support	Operation and Maintenance of Plant	Auxiliary Enterprises	Total 2022
Salaries	$39,838	$ 552	$ 5,409	$ 8,739	$14,699	$ 3,323	$ 9,374	$ 81,934
Benefits	11,359	129	1,592	2,679	4,745	1,207	2,227	23,938
Depreciation, amortization, and interest	6,690	130	1,109	2,817	1,584	1,252	12,752	26,334
Office expenses	2,104	126	510	2,275	1,264	469	2,310	9,058
Travel, conference, and meetings	1,461	35	361	1,115	728	108	4,743	8,551
Cost of sales	-	-	-	-	-	-	7,658	7,658
Repairs and maintenance	155	-	-	70	4,759	4,663	538	10,185
Professional services	953	98	548	297	1,887	192	1,400	5,375
Other	13,801	8	1,736	1,525	3,305	3,928	2,079	26,382
Total	$76,361	$1,078	$11,265	$19,517	$32,971	$15,142	$43,081	$199,415

15. RELATED-PARTY TRANSACTIONS

The Jesuit Community at Xavier University (the "Community"), an Ohio not-for-profit corporation, is an entity separate from the University. Members of the Community serve on the University's faculty and administration and their salaries are paid, in total, to the Community. In the opinion of the University's administration, such salaries are comparable to those of other employees. Members of the Community do not participate in either the University's retirement plan or the federal Social Security program. However, the University pays the Community an amount comparable to such benefits for each Community member employed by the University. Total amounts paid to the Community are not material to the financial statements.

The financial statements include gifts of $838 and contributions receivable of $2,313 from members of the Board and employees, including management, for the year ended June 30, 2023. The financial statements include gifts of $1,378 and contributions receivable of $5,578 from members of the Board and employees, including management, for the year ended June 30, 2022.

16. FAIR VALUE OF FINANCIAL INSTRUMENTS

The University uses various valuation approaches to determine fair value. ASC 820-10 establishes a fair value hierarchy for inputs used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by requiring that the most observable inputs be used when available. Observable inputs are those that market participants would use in pricing the asset or liability based on market data obtained from sources independent of the University. Unobservable inputs reflect the University's assumption about the inputs market participants would use in pricing the asset or liability developed based on the best information available in the circumstances.

The carrying amount of cash, short-term investments, accounts receivable, accrued interest receivable, accrued compensation costs, and deferred revenue approximate fair value because of the short-term nature of these assets and liabilities.

The carrying value of investments, which is the fair value, is determined by management using inputs provided by an external investment manager or quoted market values. In the limited cases where such values are not available, historical cost is used as an estimate of market value.

A reasonable estimate of the fair value of the student loans receivable under government loan programs and advances from the federal government for student loans could not be made because the notes receivable are not saleable and can only be assigned to the US government or its designees.

The carrying amount of contributions receivable approximates fair value as these donations are recorded at the net present value of amount pledged.

The fair value of indebtedness, which consists primarily of bonds payable, was approximately $169,107 and $177,164 as of June 30, 2023 and 2022, respectively. The methodology for determining fair value of bonds payable consists of a discounted cash flow analysis using a discount rate for each existing bond series. The carrying value was $172,570 and $180,769 as of June 30, 2023 and 2022, respectively.

The fair value hierarchy is categorized into three levels based on the inputs as follows:

Level 1—Valuations based on unadjusted quoted prices in active markets for identical instruments.

Level 2—Valuations based on quoted prices in markets that are not active or for which all significant inputs are not observable, either directly or indirectly.

Level 3—Valuations based on inputs that are unobservable and significant to the overall fair value measurement.

At June 30, 2023 and 2022, the University's assets and liabilities measured at fair value on a recurring basis are summarized in the following table by the type of inputs applicable to the fair value measurement.

Description	**June 30, 2023**	**Level 1**	**Level 2**	**Level 3**
Assets:				
Investments:				
Short-term investments	$ 16,584	$ 16,584	$ -	$ -
US government and agency obligations	9,910	9,910	-	-
Corporate stocks and stock funds	174,822	174,822	-	-
Corporate bonds and bond funds	65,477	-	65,477	-
Mortgage and asset-backed securities	13,331	-	13,331	-
Alternative investments	64,200	-	-	64,200
Liabilities—interest rate swap agreements	(6,408)	-	(6,408)	-

Description	**June 30, 2022**	**Level 1**	**Level 2**	**Level 3**
Assets:				
Investments:				
Short-term investments	$ 7,988	$ 7,988	$ -	$ -
US government and agency obligations	8,113	8,113	-	-
Corporate stocks and stock funds	154,242	154,242	-	-
Corporate bonds and bond funds	101,985	7,503	94,482	-
Mortgage and asset-backed securities	26,740	-	26,740	-
Alternative investments	59,682	-	-	59,682
Liabilities—interest rate swap agreements	(10,028)	-	(10,028)	-

Alternative investments consist of private equity and hedge funds that invest across various asset classes, including leveraged buyouts, distressed debt, venture capital, secondary partnership interests, hedged equity, distressed securities, and merger arbitrage. These investment vehicles are primarily limited partnerships or other investment structures which do not have readily available market valuation information and which may have restrictive redemption provisions. The estimated fair values of investments of these partnerships are determined by the general partner or sponsor of the respective partnerships and may not reflect amounts that could be realized upon immediate sale, or amounts that ultimately may be realized. Accordingly, the estimated fair values may differ significantly from the values that would have been used had a ready market existed for these investments.

These investments in partnerships are classified in Level 3 of the fair value hierarchy. Identified in the table below is a summary of changes in fair value of Level 3 investments for the years ended June 30, 2023 and 2022.

	Private Equity	**Hedge Funds**	**Other**	**Total**
Ending net asset value—June 30, 2022	$ 30,737	$ 27,066	$ 1,879	$ 59,682
Capital additions or purchases	4,106	-	29	4,135
Capital disbursements or sales	(1,252)	-	(360)	(1,612)
Appreciation (depreciation) of investments	1,730	247	18	1,995
Ending net asset value—June 30, 2023	$ 35,321	$ 27,313	$ 1,566	$ 64,200

	Private Equity	**Hedge Funds**	**Other**	**Total**
Ending net asset value—June 30, 2021	$ 19,671	$ 19,918	$ 2,495	$ 42,084
Capital additions or purchases	9,186	6,500	173	15,859
Capital disbursements or sales	(4,526)	-	(596)	(5,122)
Appreciation (depreciation) of investments	6,406	648	(193)	6,861
Ending net asset value—June 30, 2022	$ 30,737	$ 27,066	$ 1,879	$ 59,682

Identified in the table below is a summary of fair values, unfunded commitments, and redemption provisions:

	Fair Value	**Unfunded Commitments**	**Redemption Frequency**	**Other Redemption Restrictions**	**Redemption Notice Period**
Private equity	$ 35,321	$ 8,836	n/a	n/a	n/a
Hedge funds	27,313	-	Quarterly	n/a	90–95 days
Other	1,566	1,070	n/a	n/a	n/a

Private equity funds are invested primarily in a fund-of-funds structure in which the underlying managers invest primarily in leveraged buyouts, distressed debt, venture capital, and secondary partnership interests.

Hedge funds are invested primarily in a fund-of-funds structure in which the underlying managers invest primarily in hedged equity, distressed securities, and merger arbitrage strategies.

Other includes investments in credit opportunities and real estate funds.

17. LEASE COMMITMENTS

The University has operating leases primarily for campus facilities and equipment. The University determines whether a contract is a lease at inception. Identified leases are subsequently measured, classified, and recognized at lease commencement. The University has elected the short-term lease exception under Topic 842 for all leases and as such, leases with an initial term of 12 months and which do not include a renewal option whose exercise is reasonably certain, are not recorded on the statements of financial position. The University recognizes lease expense for short-term leases on a straight-line basis over the lease term. Short term lease expense was not significant during the twelve months ended June 30, 2023 and June 30, 2022.

The University recognizes right-of-use assets and lease liabilities based on the present value of lease payments over the lease term at commencement date. The rate implicit in the University's leases typically is not readily determinable. As a result, the University uses the 5-year treasury rate, as allowed by ASC 842, *Leases*, in determining the present value of lease payments for all leases except for a long-term lease of space, where a 20-year treasury rate is used. The treasury rates are readily available third-party rates determined at the lease commencement date and are applied at the individual contract level. On an annual basis, the University will update the rates used to calculate the present value of lease payments for new leases.

The University currently does not have any finance leases or leases that contain purchase options and does not currently sublease any leased assets.

One of the University's facility leases has terms that extend for several years and the renewals provide for rental rates that increase over time. The right-of-use asset and lease liability include the noncancelable portion of the underlying lease along with any reasonably certain lease periods associated with the available renewal periods. The remaining lease terms range from 1 to 6 years as of June 30, 2023.

Variable lease payments generally consist of certain non-lease services related to leased facilities and other lease agreements for equipment with payments based on consumption and usage. Variable lease payments are excluded from right-of-use assets and lease liabilities and are recognized as expense in the period in which the obligation is incurred. The associated expense related to variable lease payments was not material during the year ended June 30, 2023 and 2022.

Quantitative information regarding the University's leases for the years ending June 30 are as follows:

	2023	2022
Lease cost	$ 1,441	$ 1,719
Other information:		
Cash paid for amounts included in the measurement of lease liability	$ 513	$ 513
Right-of-use assets obtained in exchange for the lease obligations	$ -	$ -
Weighted average remaining lease term (in years)	4.12	5.12
Weighted average discount rate	0.96 %	0.96 %

Maturity analysis of the annual undiscounted cash flows reconciled to the carrying value of the lease liabilities:

Years Ending June 30	Operating Leases
2024	$ 284
2025	249
2026	242
2027	242
2028	174
Total undiscounted cash flows	1,191
Less: present value discount	(55)
Total lease liability	$ 1,136

The University also has leasing arrangements in which the University acts as lessor with terms between 1 and 41 years. These leases include a ground lease in which the University leases land to a third party. The ground lease includes certain fixed-price renewal options included in the measurement of the lease within the statements of financial position. Other renewal and termination options do not significantly impact the University's lessor activity. All leases are classified as operating leases from a lessor perspective. The University owns the underlying assets associated with its operating leases and records them in "Investment in Plant—Net of accumulated depreciation" on the statements of financial position.

Cash received and reported in operating cash flows for lease payments in which the University acts as the lessor was $485 for the year ended June 30, 2023; lease payments included in income within the statement of activities was $485 for the fiscal year ended June 30, 2023. Cash received and reported in operating cash flows for lease payments in which the University acts as the lessor was $773 for the year ended June 30, 2022; lease payments included in income within the statement of activities was $773 for the fiscal year ended June 30, 2022.

Future minimum lease payments to be received under the non-cancellable leasing agreements as of June 30 are as follows:

Years Ending June 30	**Amount**
2024	$ 863
2025	863
2026	863
2027	863
2028	863
Thereafter	11,763
Total undiscounted cash flows	16,078
Impact of present value discount	(3,146)
Present value of undiscounted cash flow	$ 12,932

18. COMMITMENTS AND CONTINGENCIES

The University is involved in various legal actions arising in the ordinary course of its activities. Management believes that the ultimate liability, if any, with respect to these matters will not materially affect the financial position of the University.

The University receives grants and contracts from certain federal, state, and local agencies to fund student aid and other activities. Both direct and indirect costs that have been charged to the grants or contracts are subject to examination and approval by the granting agency. Management believes that any disallowance or adjustment of such costs would not have a material effect on the financial statements.

The University has agreements with general contractors for the design and renovation of facilities with a current guaranteed maximum price of $18,808 of which approximately $18,482 has been paid or accrued as of June 30, 2023.

In December 2016, the University entered into an exclusive 10-year agreement with a local healthcare organization to jointly develop academic programs and to support campus health and wellness. This agreement included the creation of a legal entity that constructed and owns a health and recreation center located on the University's campus. The entity, Center Corp, is a qualifying organization under Section 509(a)(3) of the Code; the University owns 51% of this entity. The financial activity of Center Corp is fully consolidated into the University's financial statements. The University completed construction and started operations in the health and recreation center in 2020.

19. HIGHER EDUCATION EMERGENCY RELIEF FUND AND CORONAVIRUS RELIEF FUNDS

In response to the COVID-19 national emergency, the federal government established and funded a Higher Education Emergency Relief Fund (HEERF). The HEERF allocations provided funding for both students (Student Share) as well as for the higher education institution (Institutional Share).

In December 2020, HEERF II was authorized by the Coronavirus Response and Relief Supplemental Appropriations Act ("CRRSAA"). HEERF II Student Share may be used for any component of the student's cost of attendance or for emergency costs that arise due to coronavirus, such as tuition, food, housing, health care (including mental health care), or child care. The CRRSAA requires that institutions prioritize students with exceptional need. HEERF II Institutional Share allowable uses include: defraying expenses associated with coronavirus (including lost revenue, reimbursement for expenses already incurred, technology costs associated with a transition to distance education, faculty and staff trainings, and payroll); carrying out student support activities authorized by the Higher Education Act of 1965, as amended, that address needs related to coronavirus; and making additional emergency financial aid grants to students.

In March 2021, the American Rescue Plan ("ARP") provided funding for HEERF III. Under ARP, any student enrolled at an institution of higher education on or after March 13, 2020 (the date of declaration of the national emergency due to the coronavirus) is eligible for emergency financial aid grants from the HEERF III, regardless of whether they completed a Free Application for Federal Student Aid (FAFSA) or are eligible for Title IV aid. The ARP requires that institutions prioritize students with exceptional need and the Department of Education encouraged institutions to prioritize domestic students, especially undergraduates, in allocating this funding. Domestic students include citizens, permanent residents, refugees, asylum seekers, DACA recipients, other DREAMers, and similar undocumented students. The allowable uses for HEERF III Student Share were the same as under HEERF II. For the HEERF III Institutional Share, a portion of the funds must be used for: implementing evidence-based practices to monitor and suppress coronavirus in accordance with public health guidelines; and conducting direct outreach to financial aid applicants about the opportunity to receive a financial aid adjustment due to the recent unemployment of a family member or independent student, or other circumstances. Other than these two new requirements, allowable uses for the HEERF III Institutional Share are similar to the allowable uses under HEERF II.

In addition to the above described HEERF funds, the federal government provided Coronavirus Relief Funds (CRF) through the Ohio Department of Higher Education (ODHE). Funds were awarded to the State of Ohio as Federal Financial Assistance from the U.S. Department of Treasury. The U.S. Department of Treasury determined that CRF funds may only cover costs incurred between March 1, 2020 and December 30, 2020. Distribution of funds was based on guidance provided by the U.S. Department of Treasury. ODHE CRF I could be used on allowable categories such as testing, payroll, and technology related to COVID-19. ODHE CRF II was expanded beyond allowable categories covered in ODHE CRF I to include refunds to students for room and board, activity fees, and tuition that were incurred as a result of COVID-19.

Following is a summary of the related funding recorded by the University during fiscal year 2023 and 2022:

	FY 23	FY 22	FY 21	Total Spent	Amount Awarded	Remaining to Spend
Federal Student Share:						
HEERF II	$ -	$ 140	$ 1,421	$ 1,561	$ 1,561	$ -
HEERF III	-	4,444	-	4,444	4,444	-
Pass thru elimination of Student Share	-	(4,584)	(1,421)	-	-	-
Total Federal Student Share	-	-	-	6,005	6,005	-
Federal Institutional Share:						
HEERF II	-	-	3,234	3,234	3,234	-
HEERF III	-	500	3,937	4,437	4,437	-
Total Federal Institutional Share	-	500	7,171	7,671	7,671	-
State Share:						
ODHE CRF I	-	-	2,543	2,543	2,543	-
ODHE CRF II	-	-	1,272	1,272	1,272	-
Total State Share	-	-	3,815	3,815	3,815	-
Total Federal and State Support	$ -	$ 500	$ 10,986	$ 17,491	$ 17,491	$ -

Federal and state support of $0 and $500 were included in government grants and contracts operating revenues in the statement of activities for the years ended June 30, 2023 and 2022, respectively.

20. SUBSEQUENT EVENTS

No events have occurred after June 30, 2023, but before October 23, 2023, the date the financial statements were available to be issued, that require consideration as adjustments to, or disclosures in, the financial statements.

21. INFORMATION USED IN THE DETERMINATION OF THE DEPARTMENT OF EDUCATION'S FINANCIAL RESPONSIBILITY COMPOSITE SCORE

Section 498(c) of the Higher Education Act of 1965, as amended, requires for-profit and nonprofit institutions to annually submit audited financial statements to the Department of Education (ED) to demonstrate they are maintaining the standards of financial responsibility necessary to participate in the Title IV programs. One of many standards which ED utilizes to gauge the financial responsibility of an institution is a composite of three ratios derived from an institution's audited financial statements.

The financial information below provides the correspondence between certain values presented in the University's financial statements and the values as they are included in the determination of the ratios used by ED to gauge the University's financial responsibility:

	2023
Investment in plant—net, including construction in progress:	
Net book value of assets existing as of June 30, 2019 (pre-implementation):	
Land	$ 31,854
Land improvements	13,076
Buildings and building improvements	171,704
Leasehold improvements	73
Equipment	2,305
Library collection	160
Total	219,172
Net book value of assets in service after June 30, 2019 (Post-implementation):	
Land	2,305
Land improvements	2,824
Buildings and building improvements	98,835
Leasehold improvements	-
Equipment	11,815
Library collection	-
Total	115,779
Construction in progress	26,339
Investment in plant—net, including construction in progress	$ 361,290
Indebtedness:	
Pre-implementation for long-term purposes	$ 120,726
Post-implementation for long-term purposes	51,844
Post-implementation for construction in progress	-
Post-implementation, not for the purchase of investment in plant	-
Total	$ 172,570

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