Financial Statements and Report of Independent Certified Public Accountants

Duquesne University of the Holy Spirit

June 30, 2023 and 2022

Contents

GRANT THORNTON LLP
Two Commerce Square
2001 Market St., Suite 700
Philadelphia, PA 19103-7065

D +1 215 561 4200
F +1 215 561 1066

REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

To the Board of Directors
Duquesne University of the Holy Spirit

Opinion

We have audited the financial statements of Duquesne University of the Holy Spirit (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.

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 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 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.

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 the financial statements are 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 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 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 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.

Grant Thornton LLP

Philadelphia, Pennsylvania
October 19, 2023

Duquesne University of the Holy Spirit

STATEMENTS OF FINANCIAL POSITION

June 30,
(Dollars in thousands)

	2023	2022
ASSETS		
Cash and cash equivalents	$ 45,118	$ 43,867
Accounts receivable, net	34,749	32,702
Assets in escrow related to debt service and construction	28,564	47,240
Pledges receivable, net	34,448	23,525
Deferred charges and other assets	10,302	7,570
Loans receivable, net	7,055	7,493
Investments	619,597	584,005
Property, plant and equipment, net	307,379	289,314
Right-of-use assets	2,907	3,408
Total assets	$ 1,090,119	$ 1,039,124
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and accrued expenses	$ 34,665	$ 38,667
Annuities payable	410	405
Deferred revenues and deposits	46,074	47,390
Accumulated postretirement benefits	4,667	4,594
Agency funds	1,505	1,120
Debt and lease obligations	219,333	230,579
Liabilities associated with investments	5,020	4,478
Conditional asset retirement obligations	4,506	4,321
Federal loan funds	6,998	7,703
Total liabilities	323,178	339,257
Net assets		
Without donor restrictions	468,221	442,673
With donor restrictions	298,720	257,194
Total net assets	766,941	699,867
Total liabilities and net assets	$ 1,090,119	$ 1,039,124

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

Duquesne University of the Holy Spirit

STATEMENTS OF ACTIVITIES

Year ended June 30, 2023 with summarized information for 2022
(Dollars in thousands)

	2023			2022
	Without Donor Restrictions	With Donor Restrictions	Total	Total
Operating revenues				
Tuition and fees, net	$ 212,950	$ -	$ 212,950	$ 215,440
Auxiliary enterprises, net	36,077	-	36,077	29,542
Grants and contracts	3,847	11,399	15,246	28,317
Gifts and pledges	68	13,461	13,529	9,175
Endowment earnings distributed for operations	15,371	9,797	25,168	22,973
Working capital earnings distributed for operations	7,489	-	7,489	7,852
Investment income	5,023	122	5,145	(214)
Gain from the sale of property, plant and equipment	2,000	-	2,000	-
Other	5,925	-	5,925	6,489
Net assets released from restrictions	27,769	(27,769)	-	-
Total operating revenues	316,519	7,010	323,529	319,574
Operating expenses				
Instructional	123,412	-	123,412	118,472
Institutional support	55,121	-	55,121	53,194
Auxiliary enterprises	45,513	-	45,513	42,291
Academic support	40,357	-	40,357	39,973
Student services	20,174	-	20,174	19,874
Public service	3,353	-	3,353	4,046
Research	10,480	-	10,480	10,619
Total operating expenses	298,410	-	298,410	288,469
Excess of operating revenues over operating expenses	18,109	7,010	25,119	31,105
Nonoperating revenues and expenses				
Gifts and pledges	123	25,646	25,769	18,459
Return (loss) on investments	29,810	18,630	48,440	(58,963)
Endowment earnings distributed for operations	(15,371)	(9,797)	(25,168)	(22,973)
Working capital earnings distributed for operations	(7,489)	-	(7,489)	(7,852)
Costs associated with separation agreements	(97)	-	(97)	(737)
Gain (loss) on the defeasance of debt	855	-	855	(27)
Other	(392)	37	(355)	1,018
Net nonoperating revenues and expenses	7,439	34,516	41,955	(71,075)
CHANGE IN NET ASSETS	25,548	41,526	67,074	(39,970)
Net assets, beginning of year	442,673	257,194	699,867	739,837
Net assets, end of year	$ 468,221	$ 298,720	$ 766,941	$ 699,867

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

Duquesne University of the Holy Spirit

STATEMENTS OF ACTIVITIES

Year ended June 30,
(Dollars in thousands)

	2022		
	Without Donor Restrictions	**With Donor Restrictions**	**Total**
Operating revenues			
Tuition and fees, net	$ 215,440	$ -	$ 215,440
Auxiliary enterprises, net	29,542	-	29,542
Grants and contracts	3,452	24,865	28,317
Gifts and pledges	268	8,907	9,175
Endowment earnings distributed for operations	16,036	6,937	22,973
Working capital earnings distributed for operations	7,852	-	7,852
Investment loss	(68)	(146)	(214)
Other	6,489	-	6,489
Net assets released from restrictions	29,314	(29,314)	-
Total operating revenues	308,325	11,249	319,574
Operating expenses			
Instructional	118,472	-	118,472
Institutional support	53,194	-	53,194
Auxiliary enterprises	42,291	-	42,291
Academic support	39,973	-	39,973
Student services	19,874	-	19,874
Public service	4,046	-	4,046
Research	10,619	-	10,619
Total operating expenses	288,469	-	288,469
Excess of operating revenues over operating expenses	19,856	11,249	31,105
Nonoperating revenues and expenses			
Gifts and pledges	74	18,385	18,459
Loss on investments	(36,348)	(22,615)	(58,963)
Endowment earnings distributed for operations	(16,036)	(6,937)	(22,973)
Working capital earnings distributed for operations	(7,852)	-	(7,852)
Costs associated with separation agreements	(737)	-	(737)
Loss on the defeasance of debt	(27)	-	(27)
Net assets released from restrictions	(15)	15	-
Other	1,014	4	1,018
Net nonoperating revenues and expenses	(59,927)	(11,148)	(71,075)
CHANGE IN NET ASSETS	(40,071)	101	(39,970)
Net assets, beginning of year	482,744	257,093	739,837
Net assets, end of year	$ 442,673	$ 257,194	$ 699,867

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

Duquesne University of the Holy Spirit

STATEMENTS OF CASH FLOWS

Years ended June 30, 2023 and 2022
(Dollars in thousands)

	2023	2022
Cash flows from operating activities:		
Change in net assets	$ 67,074	$ (39,970)
Adjustments to reconcile change in net assets to net cash (used in) provided by operating activities:		
Depreciation and amortization	18,720	19,147
Realized and unrealized (gains) losses on investments	(43,024)	61,656
Gifts restricted for long-term purposes	(28,514)	(20,184)
Provision for doubtful accounts	1,369	888
Gain on disposal of property, plant and equipment	(2,045)	(35)
(Gain) loss on defeasance of debt	(855)	27
Changes in operating assets and liabilities:		
Increase in receivables	(6,674)	(7,935)
(Increase) decrease in deferred charges and other assets	(2,732)	2,271
Decrease in accounts payable and accrued expenses	(7,534)	(5,202)
Increase in annuities payable	629	199
(Decrease) increase in deferred revenues and deposits	(1,316)	7,998
Increase (decrease) in agency funds	385	(155)
Increase in conditional asset retirement obligations	185	1,672
Net cash (used in) provided by operating activities	(4,332)	20,377
Cash flows from investing activities:		
Purchases of investments	(347,342)	(235,392)
Proceeds from the sale/redemption of investments	354,774	225,074
Change in liabilities associated with investments	542	(450)
Deposits with trustee for construction	(17,532)	(55,808)
Withdrawals from trustee for construction	20,089	2,921
Deposits of funds held in escrow related to debt service	(1,412)	(33)
Withdrawals of funds held in escrow related to debt service	17,531	6,506
Receipt of federal loan funds	622	943
Payments of federal loan funds and annuities	(1,951)	(2,106)
Proceeds from the sale of property	6,484	40
Expenditures for land, buildings and equipment	(39,697)	(18,439)
Net cash used in investing activities	(7,892)	(76,744)
Cash flows from financing activities:		
Proceeds from the issuance of new debt	17,532	55,808
Repayments of long-term borrowings	(25,344)	(13,575)
Collection of gifts restricted for long-term purposes	21,287	9,896
Net cash provided by financing activities	13,475	52,129
INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	1,251	(4,238)
Cash and cash equivalents, beginning of year	43,867	48,105
Cash and cash equivalents, end of year	$ 45,118	$ 43,867
Supplemental disclosures:		
In-kind gifts consisting of contributed services	$ 700	$ 615
Interest paid	$ 8,431	$ 6,816
Accounts payable related to construction in progress	$ 4,259	$ 653

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

NOTE A - SIGNIFICANT ACCOUNTING POLICIES

Organization

Duquesne University of the Holy Spirit (the "University") is a private, Catholic university, organized as a tax-exempt, nonprofit corporation. The University's principal sources of revenue include student tuition and fees, auxiliary revenues, grants, and gifts.

Basis of Presentation

The financial statements have been prepared on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America ("U.S. GAAP"). Net assets, revenues, expenses, gains, and losses are classified based on the existence or absence of donor-imposed stipulations. Accordingly, net assets of the University and changes therein are classified and reported as follows:

- Without donor restrictions - Net assets that are not subject to donor-imposed stipulations.
- 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. Also included in this category are other net assets with donor restrictions which are subject to donor-imposed stipulations or by law that they be maintained in perpetuity by the University. Generally, the donors of these assets permit the University to use all or part of the income earned on related investments for general or specific purposes.

Taxes

The University has been determined to be exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code ("IRC") of 1986. As a result, no provision for taxes has been made in the accompanying financial statements.

The University adopted guidance for uncertainty in income taxes, which provides criteria for the recognition and measurement of uncertain tax positions. This guidance requires that an uncertain tax position should be recognized only if it is "more likely than not" that the position is sustainable based on its technical merits. Recognizable tax positions should then be measured to determine the amount of benefit recognized in the financial statements. The University files U.S. federal, state, and local income tax returns, and no returns are currently under examination. The University continues to evaluate its tax positions pursuant to the principles of such guidance and has determined that there is no material impact on the University's financial statements.

Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ materially from those estimates.

Cash and Cash Equivalents

Cash and cash equivalents include all highly liquid investments with original maturities of less than three months. Cash equivalents are stated at cost, which approximates fair value.

Concentration of Credit Risk

The University maintains cash and cash equivalent balances with banking institutions and brokerage companies. At June 30, 2023, the amounts on deposit at the banking institutions and the amounts on deposit at the brokerage companies exceeded the amounts that would be covered by the Federal Deposit Insurance Corporation ("FDIC") and the Securities Investor Protection Corporation ("SIPC"), respectively. In management's opinion, the amounts in excess of FDIC and SIPC limits do not pose significant risk to the University.

Risks and Uncertainties

Investment securities are exposed to various risks, such as interest rate, credit, and overall market volatility. Due to the level of risk associated with certain investment securities, it is reasonably possible that changes in risks and values of investment securities will occur in the near term and that such changes could materially affect the amounts reported in the statements of financial position.

Pledges Receivable

Pledges receivable from fund-raising campaigns are recorded by the University when the unconditional promise to give (pledge) is made and are recorded at fair value using a discount rate commensurate with the risks associated with the pledge.

The allowance for doubtful accounts on pledges receivable is based upon management's judgment, including such factors as prior collection history and type of receivable. The University writes off receivables when they become uncollectible, with the expense presented as an offset to gift revenue, and payments subsequently received on such receivables are credited to the allowance for doubtful accounts.

Property, Plant, and Equipment

Property, plant, and equipment are stated at cost at the date of acquisition or fair value at the date of donation in the case of gifts. Depreciation is computed on a straight-line basis over the estimated useful lives of the assets. The following table shows the estimated useful lives of property, plant, and equipment:

Land improvements	10 years
Buildings	40 years
Building improvements	10 - 40 years
Furniture, equipment, and software	5 - 15 years

The University reviews its property, plant, and equipment for impairment whenever events or changes in circumstances indicate that the carrying amount of these assets may not be recoverable. No impairment charges were recorded by the University in 2023 or 2022.

Deferred Revenues and Deposits

Deferred revenues and deposits represent revenues currently received for programs or activities to be conducted primarily in the next fiscal year, such as summer and fall tuition and fees and room and board. Also included in deferred revenues and deposits is deferred revenue related to sponsorship agreements and commitment deposits received from certain vendors, which will be recognized as income over the lives of the related agreements. In addition, included in deferred revenues are funds received related to certain refundable grants. These amounts will be recognized as income as the conditions are met in accordance with the underlying terms of the grants.

The activity and balances for deposits and deferred revenues from contracts with customers are shown in the following table (in thousands):

	Tuition, Fees, Room and Board	Sponsored Projects	Third-Party Vendors/ Sponsorship Agreements	Other	Total
Balance at June 30, 2021	$ 10,317	$ 694	$ 28,127	$ 254	$ 39,392
Revenue recognized	(10,317)	(959)	(1,705)	(254)	(13,235)
Amounts recorded for future performance obligations	11,228	1,939	7,994	72	21,233
Balance at June 30, 2022	11,228	1,674	34,416	72	47,390
Revenue recognized	(11,228)	(1,958)	(1,807)	(72)	(15,065)
Amounts recorded for future performance obligations	11,644	1,665	241	199	13,749
Balance at June 30, 2023	$ 11,644	$ 1,381	$ 32,850	$ 199	$ 46,074

Liabilities Associated with Investments

The University invests capital on behalf of a religious entity that shares the University's Catholic ministry and educational missions. Accordingly, the University reports an equal asset and liability in the statements of financial position representing the fair value of investments managed on behalf of the entity.

Tuition and Fee Revenue

The University recognizes revenue from student tuition and fees within the fiscal year in which educational services are provided. Institutional aid, in the form of scholarships and grants-in-aid, includes amounts funded by endowments and gifts, and reduces the amount of revenue recognized.

Revenue for tuition and fees for all of the summer terms are recognized as performance obligations are met. Because the summer academic terms span two reporting periods, a portion of the revenue for the summer terms is included in deferred revenue at June 30, 2023 and 2022. Deferred revenues for the summer terms are shown in Note A Deferred Revenues and Deposits.

The following details the gross and net amounts of tuition and fees for fiscal years ended June 30, 2023 and 2022 (in thousands):

	2023	2022
Tuition and fees	$ 344,288	$ 334,505
Less: institutional aid	(131,338)	(119,065)
Tuition and fees, net	$ 212,950	$ 215,440

Auxiliary Services Revenue

Auxiliary services exist to furnish goods or services to students, faculty, staff, or incidentally to the general public. Fees charged for auxiliary services are directly related to, although not necessarily equal to, the cost of the goods or services provided.

Auxiliary services revenue includes activities for student housing and dining facilities, parking services, and other miscellaneous activities. Institutional aid specifically for defraying the cost of room and board reduces the amount of revenue recognized.

Revenues for auxiliary services are recognized as performance obligations are met over the academic term. Because the summer terms span two reporting periods, a portion of the revenue for the summer terms are included in deferred revenue at June 30, 2023 and 2022. Deferred revenues for the summer terms are shown in Note A Deferred Revenues and Deposits.

The following details the gross and net amounts of auxiliary services revenue for fiscal years ended June 30, 2023 and 2022 (in thousands):

	2023	2022
Auxiliary enterprises	$ 44,381	$ 41,693
Less auxiliary institutional aid	(8,304)	(12,151)
Auxiliary enterprises, net	$ 36,077	$ 29,542

Gifts and Grants

The University reports gifts and grants of cash and other assets as net assets with donor restrictions if they are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires (i.e., when a stipulated time restriction ends or purpose restriction is accomplished), net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the statements of activities as net assets released from restrictions.

The University reports gifts of land, buildings, and equipment as net assets without donor restrictions, unless explicit donor stipulations specify how the donated assets must be used. Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as net assets with donor restrictions. Absent explicit donor stipulations about how long those long-lived assets must be maintained, the University reports expirations of donor restrictions when donated assets are placed in service.

The University receives sponsored project funding from various governmental, corporate, and private organizations, which are recorded as grants and contracts revenue. The funding may represent a reciprocal transaction in exchange for an equivalent benefit in return, or it may be a nonreciprocal transaction in which the resources provided are for the benefit of the University, the funding organization's mission, or the public at large. Contracts are generally without donor restrictions.

Revenues from exchange transactions are recognized as performance obligations are satisfied, which in some cases are as related costs are incurred.

Revenues from non-exchange transactions (contributions) may be subject to conditions, in the form of both a barrier to entitlement and a refund of amounts paid (or a release from obligation to make future payments). Revenues from conditional non-exchange transactions are recognized when the barrier is satisfied.

Investments and Investment Income

In accordance with guidance on accounting for certain investments held by not-for-profit organizations, investments are recorded at fair value. A summary of the inputs used in valuing the University's investments as of June 30, 2023 and 2022 is included in Note B.

Interest income, unrealized gains and losses on investments, and realized gains and losses from the sale of investments are accounted for in the statements of activities in the net asset classification that holds the investments, except for income and gains and losses derived from investments of endowment and funds functioning as endowment, which are accounted for in the net asset classification designated by the donor or by law.

Federal Student Loan Program

The University administers and contributes a portion of the total funds available for various student loan programs, including Perkins, Nursing, Health Profession, and Nursing Faculty Loans. The loan programs are financed primarily by the U.S. government. Loans are made to qualified students and are reported as loans receivable, net in the statements of financial position. Upon termination of the programs, the amounts representing net government advances (federal loan funds), which are reflected as a liability of approximately $7.0 million and $7.7 million at June 30, 2023 and 2022, respectively, will be returned to the government.

Fair Value

The estimated fair value of all financial instruments has been determined using available market information and appropriate valuation methodologies. However, considerable judgment is required to interpret market data in developing fair value estimates. Accordingly, the estimates included herein are not necessarily indicative of amounts the University could realize in current market exchange. The use of different market assumptions and/or estimation methodologies may have a material effect on estimated fair value amounts. All other financial instruments, other than investments as discussed above, are recorded at historical cost, which approximates fair value.

In determining fair value, the University uses various approaches, including Financial Accounting Standards Board ("FASB") Accounting Standards Codification 820, *Fair Value Measurements*, which establishes a 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 inputs that market participants would use in pricing an asset based on market data obtained from sources independent of the organization. Unobservable inputs reflect an organization's estimates about the assumptions market participants would use in pricing an asset and are developed based on the best information available in the circumstances. The hierarchy is broken down into three levels based on the observability of inputs as follows:

Level 1 - Valuations based on quoted market prices in active markets for identical assets that the organization has the ability to access. As valuations are based on quoted market prices that are readily available in an active market, valuations of these products do not entail a significant degree of judgment;

Level 2 - Valuations based on one or more quoted prices in markets that are not active or for which all significant inputs are observable, either directly or indirectly; and

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

The University also reports under the FASB update for *Investments in Certain Entities that Calculate Net Asset Value ("NAV") per Share (or its Equivalent)*, which permits, as a practical expedient, the University to measure the fair value of an investment that is within the scope of the update on the basis of the NAV per share of the investment or its equivalent determined as of the University's fiscal year end. Under this approach, certain attributes for the investment, such as restrictions and transaction prices from principal-to-principal or brokered transactions, are not considered in measuring the fair value of an investment.

The availability of observable inputs can vary from instrument to instrument and is affected by a wide variety of factors, including, for example, the liquidity of markets and other characteristics particular to the transaction. To the extent that a valuation is based on models or inputs that are less observable in the market, the determination of fair value requires more judgment.

The University uses prices and inputs that are current as of the measurement date, which are obtained through multiple third-party custodians from independent pricing services.

Guarantees and Commitments

In the ordinary course of business, the University enters into contracts with third parties pursuant to which the third parties provide services on behalf of the University. In many of the contracts, the University agrees to indemnify the third-party service provider under certain circumstances. The terms of the indemnity vary from contract to contract, and the amount of the indemnification liability, if any, cannot be determined. The University also has minimum purchase requirements related to certain utility contracts that have been met annually through June 30, 2023.

Pursuant to its bylaws, the University provides indemnification to directors, officers, and, in some cases, employees and agents against certain liabilities incurred as a result of their service on behalf of or at the request of the University and also advance on behalf of covered individual costs incurred in defending against certain claims, if any, subject to written undertakings by each such individual to repay all amounts so advanced if it is ultimately determined that the individual is not entitled to indemnification.

Insurance Liabilities

The University is self-insured through an agreement with third-party providers to provide medical coverage for all full-time University employees. A liability for estimated incurred but unreported claims has been recorded in accounts payable and accrued expenses at June 30, 2023 and 2022, based upon a third-party evaluation of claims and management's analysis of past claims history. The third-party evaluation of claims includes assumptions and methods that were reviewed by University management.

The University is also self-insured for certain other activities, principally workers' compensation. Liabilities have been established based on third-party estimates using the University's historical loss experience. The self-insurance accrual is subject to periodic adjustment by the University based on actual loss experience factors.

Nonoperating Activities

Nonoperating activities include gifts and pledges related to endowments and earnings on funds functioning as endowments, bequests, annuity and loan activity restricted in perpetuity, return on investments less amounts distributed, and net periodic benefit costs other than service costs. They also include items such as costs associated with separation agreements and losses on the defeasance of bonds.

NOTE B - INVESTMENTS

A summary of the University's investments measured at fair value at June 30, 2023 and 2022 based on level within the fair value hierarchy, is as follows (in thousands):

	2023	2022
Level 1 - Quoted Prices in Active Markets		
Equity securities - all cap	$ 36,434	$ 21,100
Mutual funds	374,732	148,779
	411,166	169,879
Level 2 - Significant Observable Inputs		
Debt securities issued by U.S. Treasury and other U.S. agencies	21,386	27,599
Debt issued by foreign government	1	1
Corporate debt securities	34,663	49,647
	56,050	77,247
Level 3 - Significant Unobservable Inputs		
Trust - Residential real estate	4,530	4,530
Total investments measured at fair value	471,746	251,656
Investments measured at NAV	147,851	332,349
Total investments	$ 619,597	$ 584,005

Investments reflected in the statements of financial position as of June 30, 2023 and 2022 are summarized as follows (in thousands):

	2023	2022
Endowment and funds functioning as endowment	$ 470,696	$ 443,421
Long-term working capital	91,006	90,430
Mid-term working capital	41,943	36,030
Investments managed for others	5,020	4,478
Annuities	5,960	5,563
Deferred compensation and other	4,972	4,083
Total	$ 619,597	$ 584,005

As of June 30, 2023 and 2022, there were no significant concentrations of investments.

Descriptions of the valuation techniques applied to the major categories of investments measured at fair value are outlined below.

The fair value of common, preferred, and foreign stocks and exchange-traded notes is valued using quoted market prices in active markets.

Mutual funds are open-ended Securities and Exchange Commission registered funds with daily quoted market prices. The mutual funds allow investors to sell their interests to the fund at the published daily quoted market prices, with no restrictions on redemptions.

Government securities, government agency securities, corporate fixed-income securities, and asset-backed mortgage securities, including residential mortgage-backed securities and commercial mortgage-backed securities, are valued based on multiple sources of information, which may include market data and/or quoted market prices from either markets that are not active or are for the same or similar assets in active markets.

Limited liability partnerships are partnerships created and administered by a general partner who invests either directly in a specified investment strategy or indirectly through other limited liability partnerships in so called “fund of funds.” The underlying investments of these funds can be actively traded securities in the case of certain hedge fund strategies or illiquid and privately held equity investment, as in the case of private equity investments. The partnership documents outline the terms and conditions by which the general partner administers the partnership and its investments. Each limited partner owns a specified share of the partnership. These partnerships cannot be marketed to the public and are restricted, by regulation, to qualified investors. The underlying investments of these partnerships include many different types of investments, including interest rate swaps, commercial paper, foreign currency, private equity, short-term interest in common stock, and convertible bonds. These investments are carried at fair value as of June 30, 2023 and 2022, based on estimates developed by the management of the investment entities investing in the funds. These valuations include assumptions and methods that are reviewed by University management. The valuation of the partnership interest typically is performed at least quarterly by the general partner through unaudited statements and validated through annual audited financial statements. In certain partnerships, the readily available data on market values allows for monthly valuation of the partnership interest. As such, the fair value of these partnerships is measured using the NAV as calculated by the custodian.

The University believes that the reported amount of its investments is a reasonable estimate of fair value as of June 30, 2023 and 2022. As the estimated value is subject to uncertainty, the reported value may differ from the value that would have been used had a ready market existed.

There has been no significant change in valuation techniques of investments during the year.

Interest, dividends, and realized and unrealized gains, net, are included as a component of both operating and nonoperating items.

Investment income (loss) for the years ended June 30, 2023 and 2022, exclusive of earnings on idle receipts, escrow funds and other deposits with trustees, consisted of the following (in thousands):

	2023	2022
Interest and dividends	$ 5,753	$ 2,168
Realized gains on marketable securities, net	80,839	27,537
Unrealized losses on marketable securities, net	(37,815)	(89,193)
Total	$ 48,777	$ (59,488)

The following table summarizes the investments valued at NAV by strategy type (in thousands):

	2023		2022				
Description	Number of Funds	Fair Value	Number of Funds	Fair Value	Unfunded Commitment at June 30, 2023	Redemption Terms	Redemption Notice Period
Hedge funds	10	$ 54,318	23	$ 252,478	$ -	Quarterly	1-90 days
Private equity	23	93,533	23	79,871	51,638	See below	
Total	33	$ 147,851	46	$ 332,349	$ 51,638		

Investments held by the University may be subject to restrictions related to the initial investment that limit the University's ability to redeem capital from such investments during a specified period of time subsequent to the University's investment of capital in such funds, typically known as a lock-up period. Capital available for redemption after the lock-up period has expired may also be subject to limits, which restrict the available redemption period, and require prior written notice, potentially limiting the University's ability to respond quickly to changes in market conditions. As of June 30, 2023, there are six funds with a market value of $15.9 million with lock-ups expiring in fiscal year 2024.

Private equity investments cannot be redeemed upon request. Instead, the nature of these investments is that distributions are received through the liquidation of the underlying assets of the fund. It is estimated that the underlying assets of these funds would be liquidated over approximately one to 12 years.

NOTE C - ENDOWMENT AND FUNDS FUNCTIONING AS ENDOWMENT

Endowment and funds functioning as endowment related activity (including amounts for pledges with donor restrictions) during the years ended June 30, 2023 and 2022, are as follows (in thousands):

	2023		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	$ 235,903	$ 215,584	$ 451,487
Investment return:			
Investment income	2,876	1,816	4,692
Net realized and unrealized gains	18,889	16,703	35,592
Total	21,765	18,519	40,284
Contributions	-	24,976	24,976
Appropriation of endowment assets for expenditure	(15,358)	(8,559)	(23,917)
Additional authorized amounts	1,240	-	1,240
Change in endowment net assets	7,647	34,936	42,583
Endowment net asset, end of year	$ 243,550	$ 250,520	$ 494,070

	2022		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	$ 267,428	$ 226,712	$ 494,140
Investment return:			
Investment income	1,265	450	1,715
Net realized and unrealized losses	(26,767)	(23,150)	(49,917)
Total	(25,502)	(22,700)	(48,202)
Contributions	-	18,417	18,417
Appropriation of endowment assets for expenditure	(16,025)	(6,860)	(22,885)
Additional authorized amounts	10,002	-	10,002
Other	-	15	15
Change in endowment net assets	(31,525)	(11,128)	(42,653)
Endowment net asset, end of year	$ 235,903	$ 215,584	$ 451,487

The endowment and funds functioning as endowment net asset composition by type of fund at June 30, 2023 and 2022 is composed of the following (in thousands):

(in thousands)

	2023		
	Without Donor Restrictions	With Donor Restrictions	Total
Scholarship	$ 45,148	$ 118,998	$ 164,146
Operational purposes	198,402	130,771	329,173
Total	$ 243,550	$ 249,769	$ 493,319

	2022		
	Without Donor Restrictions	With Donor Restrictions	Total
Scholarship	$ 42,910	$ 111,345	$ 154,255
Operational purposes	192,993	103,699	296,692
Total	$ 235,903	$ 215,044	$ 450,947

The University maintains a total return spending policy, which was 4.25% of the average fair market value of the previous 16 quarters ended December 31, 2021 and 2020, for the years ended June 30, 2023 and 2022, respectively. The University has adopted PA Trust Law Act 141, which requires a release of between 2% and 7%. Separating spending policy from investment policy permits asset allocation decisions to be made independently of the need for current income. The University's investment policy has a primary objective to achieve annualized total return, through appreciation and income, equal to or greater than the rate of inflation plus any spending and administrative expenses. This allows the University to maintain purchasing power of the investment pool. The assets are managed in a manner that will meet the primary investment objective, while attempting to limit volatility in the portfolio's market value, thereby limiting volatility in the year-to-year spending. The policy allows for a range of asset classes, including global equity and debt securities, real assets and alternative investments. The University includes its interest in perpetual trusts in endowment and funds functioning as endowment. Changes in the value of the endowment and funds functioning as endowment are included in the nonoperating section of the statements of activities along with the changes in mid and long-term working capital, value of annuities and loan funds restricted in perpetuity.

From time to time, the fair value of assets of individual donor-restricted endowment funds may fall below the level required to be maintained in perpetuity in accordance with the applicable donor gift document, creating an "underwater" endowment fund. There were 19 endowment funds with underwater deficiencies totaling \$0.5 million as of June 30, 2023, and 39 endowment funds with underwater deficiencies totaling \$0.9 million as of June 30, 2022.

The University is one of 15 designated institutions of higher learning and other charitable organizations named as beneficiaries of The Dietrich Foundation (the "Foundation") created by William S. Dietrich II pursuant to an Amended and Restated Declaration of Trust dated August 23, 2011. The Foundation came into existence as a Pennsylvania charitable trust on October 6, 2011 and was granted exemption from Federal income tax under Section 501(c)(3) of the IRC, specifically as a Type I charitable supporting organization under Section 509(a)(3). The Foundation's primary mission is to provide ongoing and increasing financial support to a number of educational institutions, largely in the greater Pittsburgh area, including the University. The Foundation is governed by a board of nine trustees. Five of the trustees are Educational Institutions Trustees.

The Foundation is expected to make annual distributions that will be allocated among the pre-specified supporting organizations, which are divided into two primary groups: (a) six educational institutions, which collectively shall receive 90% of the annual distribution amount, and (b) nine other charitable organizations or component funds of such charitable organizations, which collectively shall receive 10% of the annual distribution amount. The University is included in the 90% group. As of June 30, 2023, the University's distribution share was 2.5%.

The distributions to the University have been recorded as contribution revenue with donor restrictions as received and held in an endowment fund restricted in perpetuity designated by Dietrich Foundation Endowment Fund. The endowed fund will be managed in accordance with the University's generally applicable investment and disbursement policies in effect for its other endowments restricted in perpetuity. Distributions made from the endowed fund will be used for the purpose authorized by the Foundation's trustees. Distributions of $1.3 million and $1.1 million were received in fiscal years 2023 and 2022, respectively.

As of June 30, 2023, the University's Board of Directors has designated pooled endowment funds in a separate escrow account in the amount of $42.9 million as a teach out reserve in accordance with College of Osteopathic Medicine accreditation requirements. Furthermore, the reserve must be held for one year after the first class of students graduates, anticipated for May 2028. The reserve could then be released May 2029.

NOTE D - FINANCIAL ASSETS AND LIQUIDITY RESOURCES

As of June 30, 2023 and 2022, financial assets and liquidity resources available within one year for general expenditure, such as operating expenses, scheduled principal payments on debt, and capital construction not financed with debt, were as follows (in thousands):

	2023
Cash and cash equivalents	$ 45,118
Accounts and pledges receivable, net	69,197
Investments	619,596
Total financial assets	733,911
Add: authorized spending amount without donor restrictions for the next 12 months	11,715
Less: investments in board-designated endowments and long-term working capital	(334,555)
Less: financial assets with contractual or donor-imposed restrictions	(312,838)
Less: accounts and pledges receivable collectible beyond one year	(18,106)
Less: investments and other financial assets held for others	(9,517)
Financial assets available to meet cash needs for general expenditures within one year	$ 70,610

	2022
Cash and cash equivalents	$ 43,867
Accounts and pledges receivable, net	56,227
Investments	584,005
Total financial assets	684,099
Add: authorized spending amount without donor restrictions for the next 12 months	12,544
Less: investments in board-designated endowments and long-term working capital	(326,333)
Less: financial assets with contractual or donor-imposed restrictions	(270,961)
Less: accounts and pledges receivable collectible beyond one year	(18,741)
Less: investments and other financial assets held for others	(8,861)
Financial assets available to meet cash needs for general expenditures within one year	$ 71,747

As part of the University's liquidity management, financial assets are structured to be available as general expenditures, liabilities, and other obligations come due. In addition, cash in excess of daily requirements is invested in short-term, cash-equivalent investments. To help manage unanticipated liquidity needs, the University has a committed line of credit, which could be drawn upon at any time. There are no outstanding draws on the facility. The University closed on a new three-year, $20 million line of credit in September, 2022. Additionally, the University has quasi-endowment and working capital investments of $334 million, including $42.9 million held as a teach out reserve in accordance with College of Osteopathic Medicine accreditation requirements. Although the University does not intend to spend from these investments other than the amounts authorized as part of its spending policy, amounts from these investments could be made available if necessary with Board of Directors approval. However, the quasi-endowment, donor-restricted endowment and working capital all contain investments with lock-up provisions that would reduce the total investments that could be made available within one year (see Note B for disclosure about investments).

NOTE E - RECEIVABLES

Accounts receivable at June 30, 2023 and 2022 consist of the following (in thousands):

	2023	2022
Student accounts receivable, net of allowance for doubtful accounts of $2,062 and $1,838 in 2023 and 2022, respectively	$ 8,439	$ 7,223
Grants and contracts receivable	3,153	2,988
Other accounts receivable, net of allowance for doubtful accounts of $1,850 in 2023 and 2022	23,157	22,491
Accounts receivable, net	$ 34,749	$ 32,702

After unsuccessful collection of past-due student accounts by two collections agencies for a 29-month period, the University will write the balance off.

Pledges receivable at June 30, 2023, and 2022 consist of the following (in thousands):

	2023	2022
Less than one year	$ 6,671	$ 5,502
One to five years	18,062	17,338
More than five years	42,040	4,537
Total pledges receivable	66,773	27,377
Less present value adjustment	(29,723)	(2,271)
Present value of pledges receivable	37,050	25,106
Less allowance for doubtful pledges	(2,602)	(1,581)
Pledges receivable, net	$ 34,448	$ 23,525

Contributions receivable over more than one year are discounted to fair value using an appropriate discount rate ranging from 0.6% to 5.2% applicable to the year in which the pledge was received.

Fund-raising costs were $2.6 million and $4.1 million for the years ended June 30, 2023 and 2022, respectively.

Loans Receivable

The University makes uncollateralized loans to students based on financial need. Loans are funded through federal government loan programs or institutional resources. At June 30, 2023 and 2022, student loans represented 0.6% and 0.7% of total assets, respectively.

At June 30, 2023 and 2022, student loans consisted of the following (in thousands):

	2023	2022
Federal government programs	$ 7,133	$ 8,005
Institutional programs	481	389
	7,614	8,394
Less allowance for doubtful loans:		
Beginning of year	(901)	(1,344)
Decrease	342	443
End of year	(559)	(901)
Loans receivable, net	$ 7,055	$ 7,493

The University participates in the following federal revolving loan programs: Perkins, Nursing, Health Profession, and the Nurse Faculty Loan Programs. The availability of funds for loans under these programs is dependent on reimbursements to the pool from repayments on outstanding loans. Outstanding loans canceled under the programs result in a reduction of the funds available for loans and a decrease in the liability to the government.

The past-due principal amounts under the student loan programs at June 30, 2023 and 2022 are as follows (in thousands):

	2023	2022
1 - 60 days past due	$ 42	$ 48
61 - 90 days past due	79	117
91+ days past due	545	893
Total past due	$ 666	$ 1,058

NOTE F - PROPERTY, PLANT AND EQUIPMENT

The University's investment in property, plant, and equipment at June 30, 2023 and 2022, consists of the following (in thousands):

	2023	2022
Land and land improvements	$ 45,221	$ 48,836
Building and building improvements	487,669	479,820
Furniture, equipment and software	95,650	93,263
Construction in progress	43,597	12,828
	672,137	634,747
Less: accumulated depreciation	(364,758)	(345,433)
Property, plant and equipment, net	$ 307,379	$ 289,314

Depreciation expense was $20.8 million and $20.9 million for the years ended June 30, 2023 and 2022, respectively.

Substantially all property, plant and equipment are pledged under the University's debt agreements.

NOTE G - DEBT AND LEASE OBLIGATIONS

Long-term debt at June 30, 2023 and 2022, consists of the following (in thousands):

	Rate	2023	2022
University revenue and refunding bonds:			
2013 Series A Bonds	2.50 - 5.00%	$ -	$ 18,865
2014 Series A Bonds	2.00 - 5.00	15,550	19,025
2016 Series Bonds	2.25 - 5.00	54,105	54,230
2018 Series Bonds	5.00	17,760	17,760
2019 Series A Bonds	4.00 - 5.00	18,690	18,690
2019 Series B Bonds	4.12	10,000	10,000
2020 Series A Bonds	4.00	8,945	8,945
2020 Series B Bonds	2.43 - 3.03	15,835	15,835
2021 Series A Bonds	4.00 - 5.00	42,250	45,075
2022 Series A Bonds	5.00	15,140	-
		198,275	208,425
Lease obligations		3,097	3,616
Gross debt		201,372	212,041
Plus: net unaccreted bond premium		19,087	19,739
Less: deferred bond costs		(1,126)	(1,201)
Net debt		$ 219,333	$ 230,579

Principal payments in future years are as follows (in thousands):

Year Ending June 30,	Debt	Finance Leases	Operating Leases	Total
2024	$ 8,360	$ 65	$ 1,317	$ 9,742
2025	8,775	65	575	9,415
2026	9,220	65	346	9,631
2027	9,685	31	222	9,938
2028	10,150	13	201	10,364
Thereafter	152,085	-	331	152,416
	198,275	239	2,992	201,506
Less: present value discount	-	(10)	(124)	(134)
Total	$ 198,275	$ 229	$ 2,868	$ 201,372

As of June 30, 2023, the University is a party to 22 operating leases and four finance leases as the lessee. The discount rate used for leases is the stated rate for the lease or the U.S. Treasury rate. Many of the University's leases provide for options to renew subsequent to the current term. The options to renew the leases were not considered when assessing the value of the right-of-use asset if the University was not reasonably certain that it would assert its option to renew the lease.

Quantitative information regarding the University's leases for the year ended June 30, 2023 is as follows (in thousands):

	Finance Leases	Operating Leases
Lease cost	$ 53	$ 1,451
Other information:		
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash flows	$ 3	$ 1,467
Financing cash flows	49	-
Right of use assets obtained in exchange for new lease liabilities	$ 133	$ 886
Right of use assets disposed or adjusted modifying operating leases liabilities	$ -	$ (139)
Weighted-average remaining lease term (in years)	3.81	3.89
Weighted average discount rate	1.99%	2.08%

<u>University Revenue Bonds ("Series A of 2013")</u> - In March 2013, the Authority issued $39.4 million of revenue bonds to provide for a portion of (a) renovations to the University's Duquesne Towers, St. Ann's Hall, and Libermann Hall; (b) other miscellaneous capital expenditures from the University's capital program; (c) the advance refunding of the Authority's outstanding University Revenue Bonds Series A of 2004; and (d) to provide for bond issuance costs.

These bonds mature annually in principal ranging from $0.6 million to $6.6 million beginning in fiscal 2014 and ending in fiscal 2034.

Approximately $0.2 million of costs related to the issuance of these bonds has been deferred and is being amortized over the life of the bonds. In addition, approximately $3.5 million of original issue premium is being amortized over the life of the bonds. All debt issuance costs are recorded in debt and lease obligations on the statement of financial position.

In connection with the issuance of these bonds, the University has agreed to certain covenants with which it must comply. The covenants provide that the University cannot incur additional long-term debt in any amount, unless (1) debt service requirements on all long-term debt during the fiscal year, plus the maximum annual debt service requirements on the proposed additional long-term debt is less than 10% of the University's unrestricted operating revenues during the previous fiscal year, and (2) the University's expendable resources are greater than 50% of all outstanding and proposed long-term debt; however, that such test shall not be required to be met if the additional long-term debt is being incurred to refund existing long-term debt and the maximum annual debt service requirements on the proposed long-term debt are less than or equal to the maximum annual debt service requirements on the existing long-term debt. In August 2020, the outstanding bonds were partially defeased in connection with the Series of 2020 bonds described below. In December 2022, the outstanding bonds were partially defeased in connection with the Series of 2022 bonds described below. In March 2023, the bonds were retired.

<u>University Revenue Bonds ("Series A of 2014")</u> - In December 2014, the Authority issued $39.2 million of revenue bonds to provide for a portion of (a) the advance refunding of the Authority's outstanding University Revenue Bonds Series A of 2005, (b) the advance refunding of the Authority's outstanding University Revenue Bonds Series B of 2005, (c) the advance refunding of the Authority's outstanding Revenue Bonds Series A of 2007, and (d) to provide for bond issuance costs.

These bonds mature annually in principal ranging from $1.0 million to $3.8 million beginning in fiscal 2015 and ending in fiscal 2033.

Approximately $0.3 million of costs related to the issuance of these bonds has been deferred and is being amortized over the life of the bonds. In addition, approximately $4.5 million of original issue premium is being amortized over the life of the bonds. All debt issuance costs are recorded in debt and lease obligations on the statement of financial position.

These bonds carry substantially the same covenants as the Series of 2013 bonds. In June 2019, the outstanding bonds were partially defeased in connection with the sale of the Tri Generation facility.

<u>University Revenue Bonds ("Series of 2016")</u> - In May 2016, the Authority issued $58.0 million of revenue bonds to provide for a portion of (a) the advance refunding of the Authority's outstanding University Revenue Bonds Series of 2008, (b) the advance refunding of the Authority's outstanding University Revenue Bonds Series A of 2011, and (c) to provide for bond issuance costs.

These bonds mature annually in principal ranging from $0.1 million to $7.8 million beginning in fiscal 2019 and ending in fiscal 2033.

Approximately $0.3 million of costs related to the issuance of these bonds has been deferred and is being amortized over the life of the bonds. In addition, approximately $9.8 million of original issue premium is being amortized over the life of the bonds. All debt issuance costs are recorded in debt and lease obligations on the statement of financial position.

These bonds carry substantially the same covenants as the Series of 2014 bonds. In June 2019, the outstanding bonds were partially defeased in connection with the sale of the Tri Generation Facility.

<u>University Revenue Bonds ("Series of 2018")</u> - In May 2018, the Authority issued $17.8 million of revenue bonds to provide for a portion of (a) upgrades and replacements to various mechanical systems, including HVAC, elevators, electrical switchgear, pneumatic controls, fan coil units, fire protection and sprinkler systems in the Koren Building, Fisher Hall, School of Law, College Hall, Richard King Mellon Hall of Science, Rockwell Hall, Libermann Hall, Gumberg Library, Administration Building and St. Ann Hall; (b) renovations to Rockwell Hall, Assumption Hall, St. Ann Hall, Richard King Mellon Hall of Science office and the Des Places Living Learning Centers; (c) roof replacements to Duquesne Union and Trinity Hall; (d) other miscellaneous capital expenditures on the main campus of the University; (e) funding capital interest; (f) funding of any necessary reserves; and (g) to provide for bond issuance costs.

These bonds mature annually in principal ranging from $3.6 million to $10.0 million beginning in fiscal 2032 and ending in fiscal 2034.

Approximately $0.2 million of costs related to the issuance of these bonds has been deferred and is being amortized over the life of the bonds. In addition, approximately $2.5 million of original issue premium is being amortized over the life of the bonds. All debt issuance costs are recorded in debt and lease obligations on the statement of financial position.

In connection with the issuance of these bonds, the University has agreed to certain covenants with which it must comply. The covenants provide that the University cannot incur additional long-term debt in any amount, unless (1) debt service requirements on all long-term debt during the fiscal year, plus the maximum annual debt service requirements on the proposed additional long-term debt, is less than 12% of the University's unrestricted operating revenues during the previous fiscal year, and (2) the University's expendable resources are greater than 50% of all outstanding and proposed long-term debt; however, that such test shall not be required to be met if the additional long-term debt is being incurred to refund existing long-term debt.

<u>University Revenue Bonds ("Series A of 2019")</u> - In March 2019, the Authority issued $18.7 million of revenue bonds to finance all or a portion of the costs of (a) financing capital expenditures related to the renovation of the A.J. Palumbo Center, (b) financing other miscellaneous capital expenditures on the main campus of the University, and (c) paying the costs of issuance of the Bonds.

These bonds mature annually in principal ranging from $4.4 million to $5.0 million beginning in fiscal 2036 and ending in fiscal 2039.

Approximately $0.1 million of costs related to the issuance of these bonds has been deferred and is being amortized over the life of the bonds. In addition, approximately $2.6 million of original issue premium is being amortized over the life of the bonds. All debt issuance costs are recorded in debt and lease obligations on the statement of financial position.

These bonds carry substantially the same covenants as the Series of 2018 bonds.

University Revenue Bonds ("Series B of 2019") - In March 2019, the Authority issued $10.0 million of taxable revenue bonds. The bonds were issued for the same purpose as the Series A of 2019 bonds.

These bonds mature in principal $10.0 million in fiscal 2035.

Approximately $0.1 million of costs related to the issuance of these bonds has been deferred and is being amortized over the life of the bonds. All debt issuance costs are recorded in debt and lease obligations on the statement of financial position.

These bonds carry substantially the same covenants as the Series of 2018 bonds.

University Revenue Bonds ("Series A of 2020") - In August 2020, the Authority issued $8.9 million of revenue bonds to finance all or a portion of the costs of (a) the acquisition of the Life'sWork property, located at 1323 Forbes Avenue, Pittsburgh, PA 15219, which property will be used to construct the University's College of Medicine facility, and demolition of the existing buildings and structures on the property, (b) other miscellaneous capital expenditures on the main campus of the University, including capital expenditures relating to the construction of the College of Medicine, and (c) issuance of the 2020A Bonds.

These bonds mature annually in principal ranging from $1.8 million to $7.1 million beginning in fiscal 2039 and ending in fiscal 2040.

Approximately $0.1 million of costs related to the issuance of these bonds has been deferred and is being amortized over the life of the bonds. In addition, approximately $1.4 million of original issue premium is being amortized over the life of the bonds. All debt issuance costs are recorded in debt and lease obligations on the statement of financial position.

These bonds carry substantially the same covenants as the Series of 2018 bonds.

University Revenue Bonds ("Series B of 2020") - In August 2020, the Authority issued $15.8 million of taxable revenue bonds to finance all or a portion of the costs of (a) working capital and other miscellaneous costs which the Authority is authorized to finance under the Act, (b) the refunding of a portion of the outstanding Allegheny County Higher Education Building Authority University Revenue Bonds, Series A of 2013 (Duquesne University), and (c) issuance of the 2020B Bonds.

These bonds mature annually in principal ranging from $1.1 million to $10.0 million beginning in fiscal 2029 and ending in fiscal 2038.

Approximately $0.1 million of costs related to the issuance of these bonds has been deferred and is being amortized over the life of the bonds. All debt issuance costs are recorded in debt and lease obligations on the statement of financial position.

These bonds carry substantially the same covenants as the Series of 2018 bonds.

University Revenue Bonds ("Series A of 2021") - In December 2021, the Authority issued $47.9 million of revenue bonds to finance all or a portion of the costs of (a) construction; equipping and furnishing of the University's College of Medicine facility, related capital expenditures to such facility and other University facilities, and other miscellaneous capital expenditures, (b) the refunding of all of the outstanding Allegheny County Higher Education Building Authority University revenue Bonds, Series A of 2011 (Duquesne University), and (c) paying the costs of issuance of the Bonds.

The bonds mature annually in principal ranging from $0.9 million to $14.0 million beginning in fiscal 2022 and ending in fiscal 2041.

Approximately $0.3 million of costs related to the issuance of these bonds has been deferred and is being amortized over the life of the bonds. In addition, approximately $8.4 million of original issue premium is being amortized over the life of the bonds. All debt issuance costs are recorded in debt and lease obligations on the statement of financial position.

University Revenue Bonds (“Series A of 2022”) - In December 2022, the Authority issued $15.1 million of revenue bonds to provide for all or a portion of (a) the refunding of all of the outstanding Allegheny County Higher Education Building Authority University Revenue Bonds, Series A of 2013 (Duquesne University) and (b) paying the related financing costs.

The bonds mature annually in principal ranging from $1.0 million to $1.8 million beginning in fiscal 2024 and ending in fiscal 2034.

Approximately $0.1 million of costs related to the issuance of these bonds has been deferred and is being amortized over the life of the bonds. In addition, approximately $2.6 million of original issue premium is being amortized over the life of the bonds. All debt issuance costs are recorded in debt and lease obligations on the statement of financial position.

The University was in compliance with all debt covenants as of June 30, 2023.

NOTE H - FUNCTIONAL CLASSIFICATION OF EXPENSES

Expenses by functional and natural classification for the fiscal years ended June 30, 2023 and 2022, are shown below (in thousands):

2023	Instructional	Institutional Support	Auxiliary Enterprises	Academic Support	Student Services	Public Service	Research	Subtotal	Allocated Expenses	Total
Salaries	$ 65,756	$ 21,190	$ 10,914	$ 17,778	$ 7,599	$ 1,411	$ 3,571	$ 128,219	$ 10,860	$ 139,079
Benefits	18,190	6,623	4,514	5,169	2,234	394	773	37,897	1,025	38,922
Supplies, services, and other	14,519	16,166	20,885	9,252	6,263	870	4,018	71,973	15,145	87,118
Utilities	-	-	-	-	-	-	-	-	5,904	5,904
Depreciation	-	-	-	-	-	-	-	-	21,162	21,162
Interest expense	-	-	-	-	-	-	-	-	6,225	6,225
Subtotal	98,465	43,979	36,313	32,199	16,096	2,675	8,362	238,089	60,321	298,410
Allocated costs	24,947	11,142	9,200	8,158	4,078	678	2,118	60,321	(60,321)	-
Total operating expenses	$ 123,412	$ 55,121	$ 45,513	$ 40,357	$ 20,174	$ 3,353	$ 10,480	$ 298,410	$ -	$ 298,410

2022	Instructional	Institutional Support	Auxiliary Enterprises	Academic Support	Student Services	Public Service	Research	Subtotal	Allocated Expenses	Total
Salaries	$ 64,025	$ 20,485	$ 10,632	$ 18,195	$ 7,570	$ 1,446	$ 3,538	$ 125,891	$ 10,223	$ 136,114
Benefits	18,202	7,043	4,448	5,559	2,356	374	724	38,706	425	39,131
Supplies, services, and other	12,364	14,944	18,686	8,161	5,942	1,410	4,216	65,723	13,738	79,461
Utilities	-	-	-	-	-	-	-	-	5,592	5,592
Depreciation	-	-	-	-	-	-	-	-	22,738	22,738
Interest expense	-	-	-	-	-	-	-	-	5,433	5,433
Subtotal	94,591	42,472	33,766	31,915	15,868	3,230	8,478	230,320	58,149	288,469
Allocated costs	23,881	10,722	8,525	8,058	4,006	816	2,141	58,149	(58,149)	-
Total operating expenses	$ 118,472	$ 53,194	$ 42,291	$ 39,973	$ 19,874	$ 4,046	$ 10,619	$ 288,469	$ -	$ 288,469

Certain costs such as depreciation expense, utilities, interest expense and other operating costs have been allocated among the functional areas. These costs are primarily allocated based on direct costs.

NOTE I - RETIREMENT PLANS AND OTHER POSTRETIREMENT BENEFIT OBLIGATION

The University participates in single-employer contributory retirement plans, which provide for the purchase of annuities and various mutual funds for academic, administrative, salaried, and other hourly employees. The employee is responsible for a 5% pretax contribution, while the University contributes up to 8% on behalf of the employee. The University annually funds the retirement costs under the plans, which amounted to $5.2 million for the years ended June 30, 2023 and 2022, respectively.

The University provides certain health care benefits to certain retired employees. These postretirement benefits are unfunded and generally are based on employees' years of service and compensation levels. The University is required to make an accrual of the expected costs of these benefits over the period in which the employees render the service.

Net periodic cost (benefit) for the years ended June 30, 2023 and 2022 include the following components (in thousands):

	2023	2022
Interest cost for fiscal year	$ 195	$ 137
Census and claims gain during fiscal year	(55)	(33)
Gain due to assumption changes	(244)	(830)
Change in liability due to plan experience	515	(250)
Net periodic cost (benefit)	$ 411	$ (976)
Actual postretirement benefit payments (funded on a pay-as-you-go basis)	$ 338	$ 364

Using a measurement date of June 30, the following assumptions at June 30, 2023 and 2022, were used to determine the periodic cost (benefit):

	2023	2022
Discount rate	5.15%	4.45%
Healthcare trend rate (post-65)	6.50%	6.00%
Long-term trend rate	4.50%	4.50%
Terminal trend year	2032	2029

A one-percentage-point increase in the assumed medical cost trend rates for each future year increases annual postretirement benefit expense by $2,000 and the accumulated postretirement benefit obligation by $42,000. A one-percentage-point decrease in the assumed medical cost trend rates for each future year decreases annual postretirement benefit expense by $1,800 and the accumulated postretirement benefit obligation by $37,300.

For the years ended June 30, 2023 and 2022, the following is a reconciliation of beginning and ending balances of the benefit obligation (in thousands):

	2023	2022
Accumulated postretirement benefit obligation, beginning of year	$ 4,594	$ 5,934
Interest cost for fiscal year	195	137
Benefit payments for fiscal year	(338)	(364)
Expected accumulated postretirement benefit obligation, end of year	4,451	5,707
Census and claims gain during fiscal year	(55)	(33)
Gain due to assumption changes	(244)	(830)
Change in liability due to plan experience	515	(250)
Actual accumulated postretirement benefit obligation, end of year	$ 4,667	$ 4,594

Using a measurement date of June 30, the following assumptions at June 30, 2023 and 2022, were used to determine the end-of-year benefit obligation:

	2023	2022
Discount rate	5.15%	4.45%
Healthcare trend rate (post-65)	6.50%	6.00%
Long-term trend rate	4.50%	4.50%
Terminal trend year	2032	2029

Expected benefits to be paid in future years are as follows (in thousands):

Year Ending June 30,	Amount
2024	$ 418
2025	450
2026	445
2027	438
2028	430
2029 - 2033	1,929
Total	$ 4,110

NOTE J - NET ASSETS WITHOUT DONOR RESTRICTIONS

Net assets without donor restrictions at June 30, 2023 and 2022, consist of the following (in thousands):

	2023	2022
Board-designated funds (quasi-endowment)	$ 243,550	$ 235,903
Undesignated funds	224,671	206,770
Total net assets without donor restrictions	$ 468,221	$ 442,673

NOTE K - NET ASSETS WITH DONOR RESTRICTIONS

Net assets with donor restrictions at June 30, 2023 and 2022, consist of funds subject to purpose or time restriction and funds restricted in perpetuity.

Funds subject to donor restrictions consist of the following (in thousands):

	2023	2022
Funds subject to purpose or time restriction:		
Endowment gains	$ 74,748	$ 64,156
Term endowments (including pledges)	19,006	4,786
Restricted gifts and pledges:		
Operational purposes	28,739	25,770
Capital projects	7,302	2,676
Scholarships	5,170	2,099
Total restricted gifts and pledges	41,211	30,545
Restricted grants and contracts:		
Private	5,756	9,871
Local	3	1
Total net assets subject to purpose or time restriction	$ 140,724	$ 109,359
Funds restricted in perpetuity:		
Endowment and funds functioning as endowment	$ 147,115	$ 135,489
Pledges	8,899	10,612
	156,014	146,101
Annuity investments	751	540
	156,765	146,641
Loan funds	1,231	1,194
Total net assets restricted in perpetuity	$ 157,996	$ 147,835
Total net assets with donor restrictions	$ 298,720	$ 257,194

NOTE L - CONTINGENCIES

The University is a defendant in certain legal proceedings arising out of the normal conduct of its business. In the opinion of management, based upon discussion with counsel, the ultimate outcome of these matters will not have a material adverse effect on the financial position or activities of the University.

Under the terms of federal grants, periodic audits are required and certain costs may be questioned as not being appropriate expenditures under the terms of the grants. Such audits could lead to reimbursement to the grantor agencies. The University's management believes disallowances, if any, will not have a material effect on the University's financial position.

NOTE M - RELATED PARTY TRANSACTIONS

In the ordinary course of business, there are occasional contributions or pledges to the University made my members of the Board of Trustees, officers and/or key employees. There were no other material related party transactions in fiscal year 2023 or 2022 respectively.

NOTE N - SUBSEQUENT EVENTS

The University has evaluated subsequent events through October 19, 2023, the date the financial statements were issued.