UNIVERSITY OF ST. THOMAS

Financial Statements

Fiscal Year Ended June 30, 2023

With Report of Independent Auditors

UNIVERSITY OF ST. THOMAS

CONSOLIDATED FINANCIAL STATEMENTS

YEARS ENDED JUNE 30, 2023 AND 2022

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INDEPENDENT AUDITORS' REPORT

Board of Trustees
University of St. Thomas
Saint Paul, Minnesota

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the accompanying consolidated financial statements of University of St. Thomas (the University), which comprise the consolidated statements of financial position as of June 30, 2023 and 2022, and the related consolidated statements of activities, and cash flows for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of University of St. Thomas as of June 30, 2023 and 2022, and the results of its operations 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 *Auditors' Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are required to be independent of University of St. Thomas 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 Consolidated Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion.

Reasonable assurance is a high level of assurance but is not absolute assurance and, therefore, is not a guarantee that an audit conducted in accordance with 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 University of St. Thomas' 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 University of St. Thomas' 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.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Minneapolis, Minnesota
January 31, 2024

UNIVERSITY OF ST. THOMAS
CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
JUNE 30, 2023 AND 2022
(IN THOUSANDS)

	2023	2022
ASSETS		
Cash and Cash Equivalents	$ 1,739	$ 11,880
Accounts Receivable, Net	7,973	10,628
Inventories, Prepaid Expenses, and Other Assets	7,383	6,789
Contributions Receivable, Net	182,927	127,870
Student and Other Notes Receivable, Net	790	1,416
Funds Held with Bond Trustees	75,764	114,528
Investments	874,355	874,206
Land, Buildings, and Equipment, Net	603,477	525,543
Total Assets	$ 1,754,408	$ 1,672,860
LIABILITIES AND NET ASSETS		
LIABILITIES		
Accounts Payable and Accrued Liabilities	$ 40,673	$ 40,494
Unearned Tuition Income	5,147	5,082
Deposits and Other Liabilities	35,058	34,709
Assets Held in Custody for Others	1,011	980
Annuity Obligations	5,073	5,163
Bonds Payable	343,887	355,354
Advances from Federal Government for Student Loans	1,046	1,779
Total Liabilities	431,895	443,561
NET ASSETS		
Without Donor Restrictions	507,019	517,918
With Donor Restrictions	815,494	711,381
Total Net Assets	1,322,513	1,229,299
Total Liabilities and Net Assets	$ 1,754,408	$ 1,672,860

See accompanying Notes to Consolidated Financial Statements.

UNIVERSITY OF ST. THOMAS
CONSOLIDATED STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2023
(IN THOUSANDS)

	2023		
	Without Donor Restrictions	With Donor Restrictions	Total
OPERATING REVENUES			
Tuition and Fees	$ 351,025	$ -	$ 351,025
Less: Student Aid	(179,302)	-	(179,302)
Net Tuition and Fees	171,723	-	171,723
Sales and Services of Auxiliary Enterprises	44,504	-	44,504
Private Gifts and Grants	7,359	89,438	96,797
Grants and Contracts	7,866	716	8,582
Endowment Distributed to Operations	21,192	19,286	40,478
Other Ordinary Investment Income	4,459	-	4,459
Sales and Services of Educational Departments	974	-	974
Other Revenue	6,188	-	6,188
Net Assets Released from Restrictions	31,783	(31,783)	-
Total Operating Revenues	296,048	77,657	373,705
OPERATING EXPENDITURES			
Instruction and Other Services:			
Instruction	130,268	-	130,268
Auxiliary Enterprises	45,379	-	45,379
Student Activities and Services	49,009	-	49,009
Academic Support	16,039	-	16,039
Libraries	9,009	-	9,009
Public Service	3,661	-	3,661
Research	1,871	-	1,871
Total Instruction and Other Services	255,236	-	255,236
Management and General:			
General Administration and Support Services	29,914	-	29,914
Development	11,954	-	11,954
Total Management and General	41,868	-	41,868
Total Operating Expenditures	297,104	-	297,104
NET OPERATING (LOSS) INCOME	(1,056)	77,657	76,601
NONOPERATING ACTIVITIES			
Endowment Gifts	-	17,670	17,670
Endowment Investment Earnings:			
Investment Ordinary Income	747	3,143	3,890
Net Capital Gain (Loss) on Investments	5,267	24,754	30,021
Less: Distributed to Operations	(21,192)	(19,286)	(40,478)
Net Nonoperating Endowment (Loss) Gain	(15,178)	8,611	(6,567)
Other Investment Capital Gain (Loss)	4,984	175	5,159
Gain (Loss) on Disposal of Property and Equipment	9	-	9
Net Unrealized Gain on Interest Rate Exchange Agreement	342	-	342
Net Nonoperating (Loss) Income	(9,843)	26,456	16,613
NET (DECREASE) INCREASE IN NET ASSETS	(10,899)	104,113	93,214
Net Assets - Beginning of Year	517,918	711,381	1,229,299
NET ASSETS - END OF YEAR	$ 507,019	$ 815,494	$ 1,322,513

See accompanying Notes to Consolidated Financial Statements.

UNIVERSITY OF ST. THOMAS
CONSOLIDATED STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2022
(IN THOUSANDS)

	2022		
	Without Donor Restrictions	With Donor Restrictions	Total
OPERATING REVENUES			
Tuition and Fees	$ 343,113	$ -	$ 343,113
Less: Student Aid	(172,450)	-	(172,450)
Net Tuition and Fees	170,663	-	170,663
Sales and Services of Auxiliary Enterprises	35,602	-	35,602
Private Gifts and Grants	6,448	44,932	51,380
Grants and Contracts	21,192	247	21,439
Endowment Distributed to Operations	9,779	16,544	26,323
Other Ordinary Investment Income	1,137	-	1,137
Sales and Services of Educational Departments	1,815	-	1,815
Other Revenue	5,681	-	5,681
Net Assets Released from Restrictions	31,676	(31,676)	-
Total Operating Revenues	283,993	30,047	314,040
OPERATING EXPENDITURES			
Instruction and Other Services:			
Instruction	128,999	-	128,999
Auxiliary Enterprises	41,778	-	41,778
Student Activities and Services	43,573	-	43,573
Academic Support	16,074	-	16,074
Libraries	8,647	-	8,647
Public Service	3,430	-	3,430
Research	1,759	-	1,759
Total Instruction and Other Services	244,260	-	244,260
Management and General:			
General Administration and Support Services	37,603	-	37,603
Development	10,498	-	10,498
Total Management and General	48,101	-	48,101
Total Operating Expenditures	292,361	-	292,361
NET OPERATING (LOSS) INCOME	(8,368)	30,047	21,679
NONOPERATING ACTIVITIES			
Endowment Gifts	-	23,030	23,030
Endowment Investment Earnings:			
Investment Ordinary Income	857	3,301	4,158
Net Capital Gain (Loss) on Investments	(1,971)	(11,092)	(13,063)
Less: Distributed to Operations	(9,779)	(16,544)	(26,323)
Net Nonoperating Endowment (Loss) Gain	(10,893)	(24,335)	(35,228)
Other Investment Capital Gain (Loss)	(3,510)	(442)	(3,952)
Gain (Loss) on Disposal of Property and Equipment	(35)	-	(35)
Net Unrealized Gain on Interest Rate Exchange Agreement	826	-	826
Donor Adjustments	-	(75)	(75)
Net Nonoperating (Loss) Income	(13,612)	(1,822)	(15,434)
NET (DECREASE) INCREASE IN NET ASSETS	(21,980)	28,225	6,245
Net Assets - Beginning of Year	539,898	683,156	1,223,054
NET ASSETS - END OF YEAR	$ 517,918	$ 711,381	$ 1,229,299

See accompanying Notes to Consolidated Financial Statements.

UNIVERSITY OF ST. THOMAS
CONSOLIDATED STATEMENTS OF CASH FLOWS
YEARS ENDED JUNE 30, 2023 AND 2022
(IN THOUSANDS)

	2023	2022
CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	$ 93,214	$ 6,245
Adjustments to Reconcile Change in Net Assets to Net Cash Used by Operating Activities:		
Depreciation	19,043	18,440
Amortization of Debt Issuance Costs	161	153
Net Realized and Unrealized Investment Loss (Gain)	(35,180)	17,015
Noncash Gifts of Property and Equipment	(232)	-
Contributions Restricted for Long-Term Investment	(7,730)	(24,328)
Contributions Restricted for Investment in Property, Plant, and Equipment	(17,471)	(11,826)
Interest and Dividend Income Restricted for Long-Term Investment	(3,890)	(4,158)
Decrease in Allowance for Uncollectible Pledges	(1,957)	(735)
Loss on Disposal of Land, Buildings, and Equipment	(3)	35
Noncash Contributions of Marketable Securities	(3,020)	(3,928)
Increase (Decrease) in Operating Assets:		
Accounts Receivable, Net	2,655	1,481
Contributions Receivable	(53,100)	(15,618)
Student and Other Notes Receivable	626	667
Inventories, Prepaids and Other Assets	(594)	(159)
Increase (Decrease) in Operating Liabilities:		
Accounts Payable and Accrued Expenses	179	6,603
Unearned Tuition Income	65	(470)
Deposits and Other Liabilities	1,969	2,491
Assets Held in Custody for Others	31	(228)
Annuity Obligations	(90)	(884)
Advances from Federal Government for Student Loans	(733)	(801)
Net Cash Used by Operating Activities	(6,057)	(10,005)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of Investments	(513,386)	(269,333)
Proceeds from Sales and Maturities of Investments	548,025	291,703
Changes in Assets Held with Bond Trustees, Excluding Net Gains and Losses	38,764	(113,778)
Expenditures for Land, Buildings, and Equipment	(96,356)	(46,008)
Proceeds from Sale of Land, Buildings, and Equipment	6	-
Net Cash Used by Investing Activities	(22,947)	(137,416)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from Contributions Restricted for Endowment	10,750	24,328
Proceeds from Contributions Restricted for Land, Buildings, and Equipment	17,471	11,826
Proceeds from the Issuance of Bonds Payable	-	131,000
Payments on Bonds Payable	(11,526)	(11,845)
Debt Issuance Costs	(102)	(332)
Payments on Finance Leases	(1,620)	(1,620)
Interest and Dividend Income Restricted for Long-Term Investment	3,890	4,158
Net Cash Provided by Financing Activities	18,863	157,515
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(10,141)	10,094
Cash and Cash Equivalents - Beginning of Year	11,880	1,786
CASH AND CASH EQUIVALENTS - END OF YEAR	$ 1,739	$ 11,880

See accompanying Notes to Consolidated Financial Statements.

UNIVERSITY OF ST. THOMAS
CONSOLIDATED STATEMENTS OF CASH FLOWS (CONTINUED)
YEARS ENDED JUNE 30, 2023 AND 2022
(IN THOUSANDS)

	2023	2022
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION		
Cash Paid for Interest	$ 14,453	$ 9,698
Building and Equipment Acquisitions Included Under Accounts Payable and Accrued Expenses	$ 9,538	$ 9,441
Equipment Acquired Through Finance Lease Agreements	$ 2,676	$ 2,919

See accompanying Notes to Consolidated Financial Statements.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

Founded in 1885, the University of St. Thomas (the University) is a Catholic university based in the Twin Cities of St. Paul and Minneapolis. The largest private university in Minnesota, the University offers bachelor's degrees in over 150 major fields of study and more than 55 graduate degree programs including masters, education specialist, juris doctor, and doctorates.

Basis of Presentation

The accompanying consolidated statements of the University have been prepared on an accrual basis of accounting.

Net assets and related revenues and expenses are classified into the following two categories based upon the existence or absence of donor-imposed restrictions:

Without Donor Restrictions – Net assets not subject to donor-imposed stipulations. Certain of these amounts have been designated by the board for investment purposes as indicated in the presentation.

With Donor Restrictions – Net assets subject to donor-imposed stipulations that: a) restrict their use to a specific purpose and/or the passage of time; or b) require that they be maintained in perpetuity by the University; generally, the donor of these assets permits the University to use all or part of the income earned and capital gains, if any, on related investments for general or specific purposes.

Revenues are reported as increases in *net assets without donor restrictions* unless use of the related assets is limited by donor-imposed restrictions. Donor-restricted contributions whose restrictions are met in the same year the gift is made are reported as contributions *with donor restrictions* and releases in the current year. Expirations of donor-imposed restrictions on net assets, that is, the donor-imposed stipulated purpose has been accomplished, and/or the stipulated time period has elapsed, are reported as net assets released from restrictions. Expenses are reported as decreases in *net assets without donor restrictions*. Gains and losses on assets and liabilities are reported as increases or decreases in *net assets without donor restrictions* unless their use is restricted by explicit donor stipulations.

Principles of Consolidation

The consolidated financial statements include the accounts of UST Asset Holdings, LLC, UST Investments Holdings, LLC, Auto Park, LLC and HB, LLC. The University of St. Thomas has both control and an economic interest in the LLCs. All significant intercompany accounts and transactions have been eliminated in consolidation. Unless otherwise noted, these consolidated entities are hereinafter referred to as the "University of St. Thomas."

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash and Cash Equivalents

All liquid cash investments with an original maturity of three months or less when purchased by the University are considered to be cash equivalents.

Cash equivalents that are held for long-term investment are included in the consolidated statements of financial position as Investments. For example, cash held by endowment investment managers for transactional or strategic purposes, and cash held for the purchase of buildings and equipment, are reported as investments.

Cash held in bank accounts may at times exceed federally insured limits.

Accounts Receivable

Accounts receivable are stated at net realizable value. The University provides an allowance for bad debts using the allowance method, which is based on management judgement considering historic information.

Inventories

Inventories are recorded at the lower of cost or net realizable value with cost determined on a first-in, first-out (FIFO) basis. Inventories consist mainly of books and materials at the campus stores.

Contributions Receivable

Pledges to give that are expected to be collected within one year are recorded at their net realizable value. Pledges that are expected to be collected in future years are recorded at the present value of the amounts expected to be collected. The pledge value is calculated by using an income approach of applying a discount rate. The discount rates applied range from 3.54% to 4.42%. Conditional promises to give are not included as support until such time as the conditions are substantially met.

Investments

Investments are stated at fair value and include accrued income. Changes in fair value are recorded as unrealized gains or losses in the period of change. Realized gains and losses on sales of securities are generally determined using the average cost method.

Marketable securities are reported at fair value based upon quoted market prices or, when quoted values are not available, are valued based on comparative financial instruments. Limited marketability instruments, which primarily include private equity, hedge funds, and real estate investments, are valued at the quoted market price for securities in which market quotations are readily available or an estimate of fair value as determined in good faith by the general partner. Because these investments are not readily marketable, their estimated value is subject to uncertainty and, therefore, may differ from the value that would have been used had a ready market for such investments existed.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Investments (Continued)

In such instances, these investments are measured using the net asset value per share or its equivalent provided by the investee as of March 31, adjusted for cash receipts, cash disbursements, and significant known valuation changes in market values of publicly held securities contained in the portfolio and security distributions through June 30.

Donated investments are reported at fair market value at the time they are received or their net realizable value.

Funds Held with Bond Trustee

Funds held with bond trustees include investments consisting of primarily United States government obligations and cash and cash equivalents.

Fair Value Measurements

The University follows the Financial Accounting Standards Board (FASB) guidance on fair value measurements. Fair value is defined in the guidance as the exchange price that would be received to sell an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the assets or liability in an orderly transaction between market participants at the measurement date. Under this guidance, a three-level hierarchy is used for fair value measurements which is based on the transparency of information, such as pricing source, used in the valuation of an asset or liability as of the measurement date. The three levels are defined as follows:

Level 1 – Inputs are unadjusted quoted prices for identical assets or liabilities in an active market.

Level 2 – Inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly or indirectly. This includes quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the asset or liability, or inputs that are derived principally from or corroborated by observable market data.

Level 3 – Inputs are unobservable for the asset or liability. Unobservable inputs reflect the reporting entity's own determination about the assumptions that market participants would use in pricing the assets or liabilities based on the best available information.

The University adopted the standard on disclosures for investments in certain entities that calculate net asset value (NAV) per share or its equivalent, which removes those investments that calculate NAV per share from the fair value disclosure.

Concerning other assets and liabilities not assigned a Level 1-2-3, the market values of receivables, accounts payable and accrued liabilities, and unearned income approximate their carrying values given their short-term nature.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fair Value Measurements (Continued)

The fair value of bonds payable was determined using the present value of the future cash flows of debt service payments using Level 2 inputs. The discount rate used was based on the current rate on similar debt issues.

The determination of the fair value of loan fund receivables, which are federally sponsored student loans with U.S. government-mandated interest rates and repayment terms and subject to significant restrictions, could not be made without incurring excessive costs.

Land, Buildings, and Equipment

Equipment with a cost of $10 or greater and buildings with a cost of $100 or greater are capitalized by the University. Land, building, and equipment acquisitions are stated at cost if purchased, or fair value if gifted, less accumulated depreciation. Long-lived assets, with the exception of land and artwork, are depreciated using a straight-line method over their estimated useful lives. Useful lives for equipment range from 5 to 8 years. Useful lives for the majority of buildings and improvements range from 20 to 60 years.

Asset Retirement Obligations

Asset retirement obligations (ARO) are legal obligations associated with the retirement of long-lived assets. These liabilities are initially recorded at fair value and the related asset retirement costs are capitalized by increasing the carrying amount of the related assets by the same amount as the liability. Asset retirement costs are subsequently depreciated over the useful lives of the related assets. Subsequent to initial recognition, the University records period-to-period changes in the ARO liability resulting from the passage of time and revisions to either the timing or the amount of the original estimate of undiscounted cash flows. The University reduces ARO liabilities when the related obligations are settled.

As of June 30, 2023 and 2022, conditional asset retirement obligations, which are included within Deposits and Other Liabilities in the consolidated statements of financial position, totaled $2,173 and $2,368 , respectively. During the fiscal year ended June 30, 2023, the conditional asset retirement obligation decreased by $195 as a result of asbestos removal costs of $298 and accretion of interest of $103.

Changes in management’s assumptions regarding settlement dates and settlement methods could have a material effect on the liabilities recorded at June 30, 2023.

Assets Held in Custody for Others

Assets held in custody for others represents primarily investments that are held and administered by the University, but are owned by other nonprofit organizations. These related investments are included within investments in the consolidated statements of financial position.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Annuity Obligations

Some contributions received, such as interests in charitable gift annuity contracts and charitable trusts, have donor-imposed obligations to make payments to the donor or other beneficiaries. Annuity obligations arising from such gifts are established at the time of the contribution using life expectancy actuarial tables and are revalued annually. Actuarial gains and losses resulting from the annual revaluation of annuity obligations are reflected as with donor restriction, consistent with the method used to initially record the contributions.

Leases

The University determines if an arrangement is a lease at inception. Operating leases are included in other assets and other liabilities, and finance leases are included in Land, Buildings, and Equipment, Net and Other Liabilities in the consolidated statements of financial position.

Right of Use (ROU) assets represent the University’s right to use an underlying asset for the lease term and lease liabilities represent the University’s obligation to make lease payments arising from the lease. ROU assets and liabilities are recognized at commencement date based on the present value of lease payments over the lease term. Lease terms may include options to extend or terminate the lease when it is reasonably certain that the University will exercise that option. Lease expense for operating lease payments is recognized on a straight-line basis over the lease term. The University has elected to recognize payments for short-term leases with a lease term of 12 months or less as an incurred expense and these leases are not included as lease liabilities or right-of-use assets on the consolidated statements of financial position.

The individual lease contracts may or may not provide information about the discount rate implicit in the lease. For those contracts that do not contain a discount rate, the University has elected to use a risk-free discount rate determined using a period comparable with that of the lease term for computing the present value of lease liabilities.

The University has elected not to separate nonlease components from lease components and instead account for each separate lease component and the nonlease component as a single lease component.

Tuition and Fee Revenue

The University recognizes student revenue within the fiscal year in which educational services are provided. Discounts in the form of scholarships and financial aid grants, including those funded by the endowment and gifts, are reported as a reduction of student revenues. A discount represents the difference between the stated charge for the academic program and the amount that is billed to the student and/or third parties making payment on behalf of the student.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Tuition and Fee Revenue (Continued)

Educational programs are delivered in the Fall (early September to mid-December), during J-Term (January) and Spring (early February to mid-May), as well as multiple Summer terms. For the Summer terms, revenue is recognized ratably over the terms, with approximately 52% of the revenue for Summer recognized in the current year's consolidated financial statements and 48% of the tuition and fees for Summer recorded as deferred revenue at June 30.

The following table shows the University's gross tuition revenue and fee revenues disaggregated according to the timing of the transfer of goods or services and by source as of June 30:

(in thousands)	2023	2022
Revenue Recognized Over Time:		
Undergraduate Tuition Revenue	$ 276,275	$ 269,567
Graduate Tuition Revenue	62,095	62,697
Student Fee Revenue	12,655	10,849
Total Tuition and Fees	$ 351,025	$ 343,113

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 priced to offset the cost of the goods or services provided. The distinguishing characteristic of auxiliary services is that they are managed as an essentially self-supporting activity. Revenues and expenses from auxiliary enterprises are reported as changes in net assets without donor restrictions.

Auxiliary services revenue includes activities for student housing and dining facilities, the campus bookstore, and parking services. A small number of institutional scholarships specifically for defraying the costs of residential services are awarded, which reduce the amount of revenue recognized. Payments for housing and dining services are due by the 19th of the first month of the new academic term unless they have extended payment terms.

Housing and dining plans are not offered during the summer terms. Performance obligations for housing and dining services are delivered over the academic terms. Consequently, associated revenues are earned and recognized over the course of each term as the services are delivered.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Auxiliary Services Revenue (Continued)

The following table shows the University's auxiliary services revenues disaggregated according to the timing of the transfer of goods and services by source as of June 30:

(in thousands)	2023	2022
Revenue Recognized Over Time:		
Housing	$ 22,131	$ 17,963
Dining	12,747	9,739
Parking	1,743	1,602
Rental Income and Other	1,874	1,174
Total	38,495	30,478
Revenue Recognized Point In Time:		
Bookstore	3,515	3,369
Dining	2,494	1,755
Total	6,009	5,124
Total Sales and Services of Auxiliary Enterprises	$ 44,504	$ 35,602

Contributions

Contributions received, including unconditional donor promises, are recognized as revenue when the University receives the donor's commitment. Unconditional promises are recognized at the estimated present value of the future cash flows, net of allowances for uncollectible pledges. Other gifts are recorded at the fair value at the date of the gift.

Promises made that are designated for future periods or restricted by the donor for specific purposes are reported as with donor restrictions support. Conditional promises are recorded when donor stipulations are substantially met.

Consequently, at June 30, 2023, contributions approximating $5,000 for a Science, Technology, Engineering, Arts, and Mathematics (STEAM) complex have not been recognized in the accompanying consolidated statement of activities because the conditions on which they depend have not yet been met. The contribution amounts depend on a number of milestones, including the substantial completion of the complex which is scheduled to open its doors in 2025.

The University reports gifts of land, buildings, and equipment as without donor restriction support unless explicit donor stipulations specify how the donated asset must be used.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Grants and Contracts

A portion of the University's revenue is derived from cost reimbursable federal and state contracts and grants, which are conditioned upon certain performance requirements and/ or the incurrence of allowable qualifying expenses. Amounts received are recognized as revenue when the University has incurred expenditures in compliance with specific contract or grant provisions. Amounts received prior to incurring qualifying expenditures are reported as refundable advances in the consolidated statements of financial position. The University received cost reimbursable grants of $11,261 that have not been recognized at June 30, 2023, because qualifying expenditures have not yet been incurred, with no advance payments needing to be recognized in the consolidated statement of financial position as a refundable advance.

Nonoperating Activities

Nonoperating activities reflect transactions of a long-term investment nature including:

- donor-restricted private gifts and grants which are invested in perpetuity,
- endowment investment earnings reinvested, withdrawals above the spending policy, and board quasi draws,
- other nonendowment investment gains or losses,
- reclassification of prior gifts among net asset categories due to changes in donor-imposed restrictions,
- nonrecurring fixed asset gains and losses,
- gain (loss) on debt refinancing,
- other transactions that are significant, nonrecurring, and are not accounted for as part of ongoing budgeted operations.

Advertising Expense

Advertising expenditures are expensed as incurred. Advertising expense for the years ended June 30, 2023 and 2022 was $2,792 and $2,802, respectively.

Use of Estimates

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Investments are exposed to various risks such as interest rate, market, and credit risks. Due to the level of risk associated with certain investments, it is at least reasonably possible that change in the values will occur in the near term and that such changes could materially affect the consolidated financial statements.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Income Taxes

The University qualifies as a tax-exempt nonprofit organization under Section 501(c)(3) of the Internal Revenue Code and similar statutes of Minnesota law. However, any unrelated business income may be subject to taxation. The most significant areas that subject the University to unrelated business income tax (UBIT) include conferences and events, rental activities, alternative investments, and other unrelated income.

Reclassifications

Certain reclassifications have been made to the prior year consolidated financial statements to agree with the current year presentation. The reclassifications had no effect on the change in total net assets as previously reported.

Subsequent Events

The University has evaluated subsequent events through January 31, 2024, which is the date that the consolidated financial statements were issued.

NOTE 2 ACCOUNTS RECEIVABLE

Accounts receivable consists of the following at June 30:

(in thousands)	2023	2022
Student Accounts	$ 6,446	$ 6,652
Less: Allowance for Doubtful Accounts	(2,922)	(2,809)
Subtotal	3,524	3,843
Government Grants Receivable	1,831	1,760
Other	2,618	5,025
Total	$ 7,973	$ 10,628

Student accounts receivable represents payments not yet received for academic terms already completed. The following table depicts activities for accounts receivable related to tuition, fees, and auxiliary services:

(in thousands)	2023	2022
Student Accounts - Beginning Balance	$ 3,843	$ 3,658
Charges for Tuition, Fees, and Other, Net	395,466	376,834
Financial Aid Applied and Payments Made	(395,361)	(376,434)
Change in Allowance and Write-Offs	(424)	(215)
Student Accounts - Ending Balance	$ 3,524	$ 3,843

NOTE 3 CONTRIBUTIONS RECEIVABLE

Unconditional promises to give are recognized at the estimated present value of the future cash flows net of allowances, in the following timeframe at June 30:

(in thousands)	2023	2022
In One Year or Less	$ 30,261	$ 20,082
Between One Year and Five Years	83,716	63,077
More than Five Years	108,927	61,489
Total Gross Pledges Outstanding	222,904	144,648
Discount (to Present Value)	(32,639)	(11,397)
Allowance for Uncollectible Pledges	(7,338)	(5,381)
Contributions Receivable	$ 182,927	$ 127,870

The University records contributions receivable at net realizable value. Net collectible contributions due in more than one year were discounted at an interest rate based on the Treasury Yield Curve. The discount (to present value) was determined using discount rates between 3.5% and 4.5%. Net collectible contributions due in less than one year were not discounted.

NOTE 4 STUDENT AND OTHER NOTES RECEIVABLE, NET

The University participates in the Perkins federal revolving loan program. As of September 30, 2017, the authority for providing new loans under this loan program expired. As a result, the University is only servicing outstanding loans which were issued prior to the expiration date. Funds advanced by the federal government are ultimately refundable to the government and are classified as liabilities in the consolidated statements of financial position. Outstanding loans cancelled under the program result in a reduction of the funds available for loan and a decrease in the liability to the government. As of June 30, 2023 and 2022, there were $790 and $1,416, respectively, of Perkins federal loans receivable. These student loans represent less than 0.1% of total assets as of June 30, 2023.

At June 30, the following amounts were past due under the Perkins student loan program:

(in thousands)	1 - 60 Days Past Due	60 - 90 Days Past Due	90+ Days Past Due	Total Past Due
2023	$ 44	$ 8	$ 80	$ 132
2022	72	4	305	381

Federal Perkins Loans that are originated and serviced properly under Department of Education regulations can be assigned to the Department of Education when deemed no longer collectible. The University is not aware of any material amount of loans not properly originated or serviced under Department of Education regulations. As a result, no allowance for doubtful accounts has been recorded against these note receivables.

NOTE 5 INVESTMENTS

The following table summarizes the value of investments at June 30:

(in thousands)	2023	2022
Cash Equivalents	$ 112,291	$ 73,892
Public Equities	275,433	327,786
Fixed Income	122,781	72,010
Real Assets	46,020	51,258
Marketable Alternatives	83,967	109,610
Private Equity	233,863	239,650
Total Market Value	$ 874,355	$ 874,206

The University investments include operating as well as endowment and other long-term assets. Operating cash is invested in mutual funds, the majority of which is invested in U.S. Treasury obligations. The University's long-term assets are invested in a diversified asset allocation approach, within defined limits, which maintains exposure to global equity, fixed income, real assets, hedge funds, and private equity through a partnership with external investment managers operating through a variety of investment vehicles including separate accounts, commingled funds, mutual funds, and limited partnerships.

Real assets includes commercial real estate currently leased to the city of Minneapolis. Real estate is recorded at its donated appraised value of $15,662. The accumulated depreciation of the real estate at June 30, 2023 and 2022, was $1,762 and $1,370 , respectively.

The components of investments and investment earnings are summarized below as of June 30:

(in thousands)	2023		
	Without Donor Restrictions	With Donor Restrictions	Total
Investment Earnings:			
Interest and Dividends	$ 5,206	$ 3,143	$ 8,349
Capital Gains	10,251	24,929	35,180
Total Investment Results	$ 15,457	$ 28,072	$ 43,529

(in thousands)	2022		
	Without Donor Restrictions	With Donor Restrictions	Total
Investment Earnings:			
Interest and Dividends	$ 1,994	$ 3,301	$ 5,295
Capital Loss	(5,481)	(11,534)	(17,015)
Total Investment Results	$ (3,487)	$ (8,233)	$ (11,720)

NOTE 6 FAIR VALUE MEASUREMENTS

Fair Value Hierarchy

The following table presents the University's fair value hierarchy for those assets and liabilities measured at fair value on a recurring basis at June 30:

(in thousands)	2023			
	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Unobservable Inputs (Level 3)	Total
Assets:				
Funds Held with Bond Trustees:				
Cash Equivalents	$ 75,764	$ -	$ -	$ 75,764
Fixed Income	-	-	-	-
Total Funds Held with Bond Trustees	75,764	-	-	75,764
Investments:				
Cash Equivalents	26,825	-	-	26,825
Public Equities	68,708	-	-	68,708
Fixed Income	122,661	-	-	122,661
Private Equity	-	-	-	-
Total Investments	218,194	-	-	218,194
Total Assets	$ 293,958	$ -	$ -	$ 293,958
Liabilities:				
Interest Rate Swap Agreements	$ -	269	$ -	$ 269

NOTE 6 FAIR VALUE MEASUREMENTS (CONTINUED)

Fair Value Hierarchy (Continued)

(in thousands)	2022			
	Quoted Prices in Active Markets (Level 1)	Significant Other Observable Inputs (Level 2)	Unobservable Inputs (Level 3)	Total
Assets:				
Funds Held with Bond Trustees:				
Cash Equivalents	$ 114,529	$ -	$ -	$ 114,529
Fixed Income	-	-	-	-
Total Funds Held with Bond Trustees	114,529	-	-	114,529
Investments:				
Cash Equivalents	45,395	-	-	45,395
Public Equities	99,914	-	-	99,914
Fixed Income	71,889	-	-	71,889
Private Equity	-	-	-	-
Total Investments	217,198	-	-	217,198
Total Assets	$ 331,727	$ -	$ -	$ 331,727
Liabilities:				
Interest Rate Swap Agreements	$ -	$ 611	$ -	$ 611

The following table presents the reconciliation to the consolidated statements of financial position for financial instruments as of June 30:

(in thousands)	2023	2022
Investments Measured at Fair Value	$ 218,194	$ 217,198
Investments Measured at Net Asset Value	656,161	657,008
Total	$ 874,355	$ 874,206

Net Asset Value

The fair value of certain investments has been estimated using the NAV as reported by the management of the fund. FASB guidance allows for the use of the NAV as a “practical expedient” to estimate the fair value of alternative investments. NAV reported by each alternative investment fund is used as a practical expedient to estimate the fair value of the University’s interest in the fund. The University generally considers a redemption period of 90 days or less to be near term.

NOTE 6 FAIR VALUE MEASUREMENTS (CONTINUED)

Net Asset Value (Continued)

Investments in certain entities that calculate NAV per share (or its equivalent) as of June 30:

(in thousands)	2023			
Redemption Frequency	Net Asset Value	Unfunded Commitments	Redemption Notice Period	Redemption Restrictions
Daily/Weekly:				
Cash Equivalents	$ 81,793	$ -		
Public Equities	54,578	-	1 Day	
Fixed Income	120	-		
Total Daily/Weekly	136,491	-		
Monthly:				
Public Equities	69,276	-	6-30 Days	
Real Assets	-	-	30 Days	
Marketable Alternatives	-	-	5-30 Days	
Total Monthly	69,276	-		
Quarterly:				
Public Equities	79,638	-	60 Days	
Real Assets	1,126	-	60 Days	
Marketable Alternatives	19,754	-	60-90 Days	
Total Quarterly	100,518	-		
Annual:				
Cash Equivalents	447	-		
Public Equities	-	-	120 Days	
Marketable Alternatives	51,738	4,618	60-90 Days	One fund has a side pocket
Total Annual	52,185	4,618		
Two or More Years:				
Cash Equivalents	3,226	-		
Public Equities	3,233	1,615	NA	
Real Assets	44,894	12,972	NA	
Marketable Alternatives	12,475	651	NA	One fund has a side pocket; two funds have holdbacks
Private Equity	233,863	90,082	NA	
Total Two or More Years	297,691	105,320		
Total Level 2 and Level 3 with NAV Per Share	$ 656,161	$ 109,938		

NOTE 6 FAIR VALUE MEASUREMENTS (CONTINUED)

Net Asset Value (Continued)

(in thousands) Redemption Frequency	2022 Net Asset Value	Unfunded Commitments	Redemption Notice Period	Redemption Restrictions
Daily/Weekly:				
Cash Equivalents	$ 25,001	$ -		
Public Equities	50,942	-	1 Day	
Fixed Income	121	-		
Total Daily/Weekly	76,064	-		
Monthly:				
Public Equities	73,614	-	6-30 Days	
Real Assets	-	-	30 Days	
Marketable Alternatives	7,905	-	5-30 Days	
Total Monthly	81,519	-		
Quarterly:				
Public Equities	99,867	-	60 Days	
Real Assets	1,499	-	60 Days	
Marketable Alternatives	33,876	-	60-90 Days	
Total Quarterly	135,242	-		
Annual:				
Cash Equivalents	446	-		
Public Equities	-		120 Days	
Marketable Alternatives	38,798	-	60-90 Days	One fund has a side pocket
Total Annual	39,244	-		
Two or More Years:				
Cash Equivalents	3,050	-		
Public Equities	3,450	1,975	NA	
Real Assets	49,760	7,921	NA	
Marketable Alternatives	29,031	733	NA	One fund has a side pocket; two funds have holdbacks
Private Equity	239,648	46,657	NA	
Total Two or More Years	324,939	57,286		
Total Level 2 and Level 3 with NAV Per Share	$ 657,008	$ 57,286		

NOTE 7 DERIVATIVE INSTRUMENTS

The University uses interest rate swaps as part of its risk management strategy to manage exposure to fluctuations in interest rates and to manage the overall cost of its debt. Interest rate swaps are used to manage identified and approved exposures and are not used for speculative purposes. The interest rate swaps are recognized as either assets or liabilities on the consolidated statements of financial position and are measured at fair value. Interest rate swaps are often held for the life of the strategy but may reflect significant interim unrealized gains or losses depending on the change in value since the inception of the contract. All unrealized and realized gains and losses from the interest rate exchange agreements are reflected in the consolidated statements of activities.

NOTE 7 DERIVATIVE INSTRUMENTS (CONTINUED)

In February 2006, the University entered into a forward interest rate swap agreement having a notional amount of $12,300. This swap was utilized to reduce the volatility risk for a portion of the University's variable interest rate exposure on debt issue Series Six-H. The Series Six-H bond issue has been refinanced three times since 2006, most recently in 2020 by the 2020 Series A&B bonds. The swap remains outstanding, but the notional amount reduces annually to match the amortization of the 2020 A&B bonds. The swap has a notional value of $7,760 and $8,400 as of June 30, 2023 and 2022, respectively. Under the swap agreement, the counterparty will pay the University a variable interest rate equal to 67% of the three-month London Interbank Offered Rate (LIBOR) and the University will pay the counterparty a fixed rate of 3.553% for a term that ends October 1, 2032.

For the fiscal years ended June 30, 2023 and 2022, the University did not authorize this investment manager to use derivative instruments. The University's derivative instruments involve varying degrees of risk of loss in excess of the amount recognized in the consolidated statements of financial position arising from potential changes in market prices. The market value of the derivative contracts was $77,121 and $10,440 as of June 30, 2023 and 2022, respectively. Net (loss) gains from these derivative contracts are summarized as follows:

(in thousands)	2023	2022
Investment (Loss) Gain	$ 5,353	$ (2,452)

In addition, the University, through its investment activities, is indirectly involved in such activities as trading in futures, forward contracts, and other derivative products. Derivatives are used to adjust portfolio risk exposure. While these instruments may contain varying degrees of risk, the University's risk with respect to such transactions is limited to its respective share in each investment pool.

NOTE 8 LAND, BUILDINGS, AND EQUIPMENT

Land, buildings, and equipment and related accumulated depreciation at June 30 consist of the following:

(in thousands)	2023	2022
Land	$ 38,210	$ 36,880
Land Improvements	13,334	13,334
Buildings	626,899	613,844
Equipment, Library Books, Art Objects	152,479	149,236
Cost of Land, Buildings, and Equipment	830,922	813,294
Less: Accumulated Depreciation	(344,151)	(330,994)
Land, Buildings, and Equipment, Net of Depreciation	486,771	482,300
Add: Construction-in-Progress	116,706	43,243
Land, Buildings, and Equipment, as Reported	$ 603,477	$ 525,543

NOTE 9 UNEARNED TUITION REVENUE AND CONTRACT LIABILITIES

Unearned tuition income of $5,147 and $5,082 as of June 30, 2023 and 2022, respectively, represents performance obligations associated with payments received for each academic year's summer terms that usually begin in late-May to early-June and end in mid-July to late-August.

The following table depicts activities for deferred revenue related to tuition and fees:

(in thousands)

Balance at June 30, 2022	Refunds Issued	Revenue Recognized Included in June 30, 2023 Balance	Cash Received in Advance of Performance	Balance at June 30, 2023
$ 5,082	(46)	$ 5,036	$ 5,147	$ 5,147

(in thousands)

Balance at June 30, 2021	Refunds Issued	Revenue Recognized Included in June 30, 2021 Balance	Cash Received in Advance of Performance	Balance at June 30, 2022
$ 5,552	(127)	$ 5,425	$ 5,082	$ 5,082

The timing of revenue recognition, billings, and cash collections results in billed accounts receivable (contract assets), unearned tuition income, and customer advances and deposits (contract liabilities) on the consolidated statements of financial position. In some instances, the University receives advances or deposits from customers before revenue is recognized, resulting in contract liabilities. The deposits are liquidated when revenue is recognized. For the years ended June 30, 2023 and 2022, respectively, there were $5,147 and $5,082 of customer advances or deposits included in Deposits and Other Liabilities on the consolidated statements of financial position.

NOTE 10 BONDS PAYABLE

Bonds payable consists of the following at June 30:

(in thousands) Description	2023	2022
MHEFA Revenue Bonds, Series 2022 Payable through 2053, interest at 4% to 5%, uncollateralized, proceeds used for STEAM building, Brady, Koch Commons, Dowling, Summit Classroom Building renovations and Athletic facilities	$ 131,000	$ 131,000
MHEFA Revenue Bonds, Series 2019 Payable through 2044, interest at 4% to 5%, uncollateralized, proceeds used for Tommie North Residence Hall and Frey Residence Hall	78,325	79,545
MHEFA Revenue Bonds, Series 2017A Payable through 2037, interest at 3% to 5%, uncollateralized, proceeds used for Anderson Student Center	52,440	55,425
MHEFA Revenue Bonds, Series Eight-L Payable through 2039, interest at 3% to 5%, uncollateralized, proceeds used to advance refund Series 6W and 6X, original proceeds used for Anderson Athletic and Recreation Complex and Anderson Parking Facility	42,880	45,140
MHEFA Revenue Bonds, Series Seven-U Payable through 2027, interest at 4% to 5%, uncollateralized, proceeds used to advance refund Series 5L and 5Z, original proceeds used for School of Law building, Schulze Hall and Terrence Murphy Hall	10,860	12,690
MHEFA Revenue Notes, Series Seven Z Payable through 2034, interest at 2.77%, uncollateralized, proceeds used to refund Series Five-Y, original proceeds used for Flynn Hall	12,819	13,899

NOTE 10 BONDS PAYABLE (CONTINUED)

(in thousands) Description (Continued)	2023	2022
MHEFA Variable Rate Demand Revenue Bonds, Series 2017B		
Payable through 2025, variable interest rate (not to exceed 15%), uncollateralized, proceeds used to refund Series Four-O and Five-C, original bond proceeds used for Science and Engineering Center, John Roach Center, Morrison Hall, and other additions	$ 1,324	$ 1,975
MHEFA Variable Rate Demand Revenue Bonds, Series 2020 A&B		
Payable through 2032, fixed interest at weighted average 1.811%, uncollateralized: 51% proceeds used to refund Series 2017C, used to refund Series Six-H, original bond proceeds used for McNeely Hall; 49% proceeds used for Center of Well Being and Ireland Hall Renovations	15,195	16,695
Total Gross Long-Term Debt	344,843	356,369
Less: Debt Issuance Costs	(956)	(1,015)
Total Gross Long-Term Debt, Net of Costs	$ 343,887	$ 355,354
Approximate Market Value of Long-Term Debt	$ 356,147	$ 368,304

Interest expense was $12,089 and $9,826 for the years ended June 30, 2023 and 2022, respectively.

As of June 30, 2023, the variable interest rate associated with the above variable debt issues, and the associated interest rate swap agreements, was approximately 3.7%.

The annual maturities for bonds payable at June 30, 2023 are as follows:

(in thousands)

Year Ending June 30,	Amount
2024	$ 12,212
2025	12,744
2026	13,932
2027	14,641
2028	13,698
Thereafter	277,617
Total	$ 344,843

The University has a line of credit of $10,000 with interest at 6.45% plus the greater of (i) zero percent or (ii) the one-month forward-looking term rate based on SOFR which expires on March 28, 2024. At June 30, 2023 and 2022, the University had no borrowings under the line of credit.

NOTE 11 ENDOWMENT

The University's endowment consists of over 600 individual funds established for a variety of purposes. Its endowment includes both donor-restricted endowment funds and funds designated by the board of trustees to function as endowments. As required by accounting principles generally accepted in the United States of America, net assets associated with endowment funds, including funds designated by the board of trustees to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Interpretation of Relevant Law

The board of trustees of the University has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring the preservation of the fair value of the original gift as of the gift date of the donor-restricted endowment funds absent explicit donor stipulations to the contrary. As a result of this interpretation, the University classifies as donor-restricted net assets (a) the original value of gifts donated to the endowment, (b) the original value of subsequent gifts to the endowment, and (c) accumulations to the endowment made in accordance with the direction of the applicable donor gift instrument at the time the accumulation is added to the fund.

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

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

Changes in endowment net assets for the years ended June 30 are as follows:

	2023		
(in thousands)	Without Donor Restrictions	With Donor Restrictions	Total
Endowment Net Assets as of July 1	$ 114,074	$ 584,806	$ 698,880
Investment Return:			
Investment Ordinary Income	747	3,143	3,890
Realized and Unrealized Capital Loss	5,267	24,754	30,021
Total Investment Gain	6,014	27,897	33,911
Release of Spending Policy	(3,294)	(19,286)	(22,580)
Contributions and Adjustments	-	17,670	17,670
Addition to (Withdrawal from) Quasi-Endowment from (to) Operations	(17,898)	-	(17,898)
Other Adjustments, Net	240	-	240
Endowment Net Assets as of June 30	$ 99,136	$ 611,087	$ 710,223

NOTE 11 ENDOWMENT (CONTINUED)

Interpretation of Relevant Law (Continued)

(in thousands)	2022 Without Donor Restrictions	2022 With Donor Restrictions	2022 Total
Endowment Net Assets as of July 1	$ 122,873	$ 586,116	$ 708,989
Investment Return:			
Investment Ordinary Income	857	3,301	4,158
Realized and Unrealized Capital Gain	(1,971)	(11,092)	(13,063)
Total Investment Gain	(1,114)	(7,791)	(8,905)
Release of Spending Policy	(4,977)	(16,544)	(21,521)
Contributions and Adjustments	-	23,030	23,030
Addition to (Withdrawal from) Quasi-Endowment from (to) Operations	(4,802)	-	(4,802)
Other Adjustments, Net	2,094	(5)	2,089
Endowment Net Assets as of June 30	$ 114,074	$ 584,806	$ 698,880

Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires the University to retain as a fund of perpetual duration. These deficiencies result from unfavorable market fluctuations that occurred shortly after the investment of new contributions for donor-restricted endowment fund and continued appropriation for certain programs that was deemed prudent by the governing body.

As of June 30, 2023, deficiencies of this nature together have an original gift value of $4,192, a current fair value of $3,654, and a deficiency of $538. As of June 30, 2022, deficiencies of this nature together have an original gift value of $9,543, a current fair value of $9,196, and a deficiency of $347. In accordance with accounting principles generally accepted in the United States of America, deficiencies of this nature that are reported in net assets with donor restrictions.

Return Objectives and Risk Parameters

The University has adopted investment and spending policies for endowment assets that attempt to minimize the volatility of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the organization must hold in perpetuity or for a donor-specified period as well as board-designated funds. Under this policy, as approved by the board of trustees, the endowment assets are invested in a manner that is intended to produce results that exceed the price and yield results of a representative benchmark, while assuming an appropriate level of investment risk. The University expects its endowment funds, over time, to provide a real rate of return sufficient to meet the University's spending policy, net of fees. Actual returns in any given year may vary from this amount.

NOTE 11 ENDOWMENT (CONTINUED)

Strategies Employed for Achieving Objectives

To satisfy its long-term rate-of-return objectives, the University relies on a total return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current yield (interest and dividends). The University targets a diversified asset allocation that places a greater emphasis on equity-based investments to achieve its long-term return objectives within prudent risk constraints.

Spending Policy and How the Investment Objectives Relate to Spending Policy

The University follows an endowment spending policy that authorizes spending of a percentage of the 12-quarter average market value of most endowments. This percentage is established annually for each endowment by the President of the University. The average aggregate spending rate approximated 4.5% in 2023 and 2022. The intent of the spending policy is to provide a resource to fund expenditures in accordance with the donor's wishes and at the same time, increase endowment fund value as a protection against inflation.

NOTE 12 NET ASSET SUMMARY AND RELEASES

Net assets at June 30 consisted of the following:

(in thousands)	2023 Without Donor Restrictions	2023 With Donor Restrictions	2023 Total
Endowment:			
Donor-Restricted for:			
Student Financial Aid	$ -	$ 283,808	$ 283,808
Instruction and Other Related Activities	-	327,279	327,279
Total Donor-Restricted Endowments	-	611,087	611,087
Board-Designated for Educational and General Operations	99,136	-	99,136
Total Endowment	99,136	611,087	710,223
Operations:			
Current Unrestricted Operations	10,193	-	10,193
Gifts and Grants for Instructional Programs, Financial Aid, and Research	30,595	77,015	107,610
Long-Term Support of Educational and General Operations	131,276	-	131,276
Total Operations	172,064	77,015	249,079
Buildings and Equipment:			
Net Value of Buildings and Equipment	232,090	-	232,090
Funds for Building Projects	3,729	114,747	118,476
Total Buildings and Equipment	235,819	114,747	350,566
Other:			
Annuity Trust Agreements	-	12,645	12,645
Total	$ 507,019	$ 815,494	$ 1,322,513

NOTE 12 NET ASSET SUMMARY AND RELEASES (CONTINUED)

(in thousands)	2022 Without Donor Restrictions	2022 With Donor Restrictions	2022 Total
Endowment:			
Donor-Restricted for:			
Student Financial Aid	$ -	$ 270,833	$ 270,833
Instruction and Other Related Activities	-	313,973	313,973
Total Donor-Restricted Endowments	-	584,806	584,806
Board-Designated for Educational and General Operations	114,074	-	114,074
Total Endowment	114,074	584,806	698,880
Operations:			
Current Unrestricted Operations	10,192	-	10,192
Gifts and Grants for Instructional Programs, Financial Aid, and Research	31,008	82,645	113,653
Long-Term Support of Educational and General Operations	126,505	-	126,505
Total Operations	167,705	82,645	250,350
Buildings and Equipment:			
Net Value of Buildings and Equipment	229,015	-	229,015
Funds for Building Projects	7,124	32,235	39,359
Total Buildings and Equipment	236,139	32,235	268,374
Other:			
Annuity Trust Agreements	-	11,695	11,695
Total	$ 517,918	$ 711,381	$ 1,229,299

At June 30, 2023 and 2022, the University's net assets with donor restrictions were allocated as follows:

(in thousands)	2023	2022
With Donor Restrictions		
Purpose and Time Restriction:		
Operations	$ 77,015	$ 82,645
Endowment	192,961	185,204
Annuity Trust Agreements	12,645	11,695
Plant Acquisitions	114,747	32,235
Total Purpose and Time Restricted	$ 397,368	$ 311,779
Held in Perpetuity:		
Endowment	$ 360,315	$ 348,711
Annuity Trust Agreements	107	181
Contributions Receivable	57,704	50,710
Total Held in Perpetuity	$ 418,126	$ 399,602
Total Net Assets With Donor Restrictions	$ 815,494	$ 711,381

NOTE 12 NET ASSET SUMMARY AND RELEASES (CONTINUED)

Net assets with donor restrictions were released from donor restrictions by incurring expenses, which satisfied the restricted purpose, or by the occurrence of other events specified by donors in the following manner at June 30:

(in thousands)	2023	2022
Purpose Restrictions Accomplished:		
Instructional Activities, Student Financial Aid, and Other Purposes	$ 32,608	$ 24,577
Unrestricted Donor Pledges Received for Education and General Operations	3,373	5,856
Buildings and Equipment	-	1,243
Net Asset Reclassifications	(4,198)	-
Total Restrictions Released	$ 31,783	$ 31,676

NOTE 13 LIQUIDITY

The University regularly monitors liquidity required to meet its operating needs and other contractual commitments, while also striving to maximize the investments of its available funds. As of June 30, the following assets and liquidity resources could be made available within one year to meet general expenditures:

(in thousands)	2023	2022
Financial Assets:		
Cash and Cash Equivalents	$ 1,332	$ 11,202
Accounts Receivable	6,938	6,918
Contributions Receivable	30,261	20,082
Subsequent Year's Endowment Payout	24,766	22,515
Other Investments Appropriated for Current Use	61,028	93,866
Total Financial Assets Available Within One Year	124,325	154,583
Liquidity Resources:		
Bank Line of Credit	10,000	10,000
Total Financial Assets and Liquidity Resources Available Within One Year	$ 134,325	$ 164,583

The University's endowment funds consist of donor endowment and quasi-endowment funds. Quasi-endowed funds are amounts that could be available to spend from the corpus, although that is not the intention of the board.

NOTE 14 RETIREMENT BENEFITS

Retirement benefits are provided for substantially all full-time employees. Under this 403(b) retirement plan, the University makes contributions of a defined percentage of covered payroll. Contributions charged to operations for these benefits were $10,410 and $10,265 for the years ended June 30, 2023 and 2022, respectively.

NOTE 15 FUNCTIONAL ALLOCATION OF EXPENSES

The University's primary program service is academic instruction. Expenses reported as auxiliary enterprises, student activities and services, academic support, libraries, public service, and research are incurred in support of this primary program activity. Expenses are directly coded to programs or support services whenever possible. Natural expense attributable to more than one functions expense category are allocated using a variety of cost allocation techniques, such as square feet and time and effort.

Expenses by functional classification for the years ended June 30 consist of the following:

(in thousands)	2023			
	Program	Institutional Support	Fundraising	Total
Compensation	$ 168,103	$ 21,989	$ 9,875	$ 199,967
Supplies	18,206	450	96	18,752
Utilities, Rent, and Repairs	13,273	807	183	14,263
Professional Services	8,127	3,141	829	12,097
Insurance, Licenses, and Other	10,663	2,294	645	13,602
Travel	7,330	165	188	7,683
Depreciation	17,514	1,006	131	18,651
Interest	12,020	62	7	12,089
Total Expenses per Statement of Activities	$ 255,236	$ 29,914	$ 11,954	$ 297,104

(in thousands)	2022			
	Program	Institutional Support	Fundraising	Total
Compensation	$ 160,174	$ 27,658	$ 8,876	$ 196,708
Supplies	15,965	694	96	16,755
Utilities, Rent, and Repairs	10,905	1,971	144	13,020
Professional Services	8,766	3,424	565	12,755
Insurance, Licenses, and Other	16,861	2,449	591	19,901
Travel	4,605	211	140	4,956
Depreciation	17,280	1,079	81	18,440
Interest	9,704	117	5	9,826
Total Expenses per Statement of Activities	$ 244,260	$ 37,603	$ 10,498	$ 292,361

NOTE 16 RELATED PARTY TRANSACTIONS

Pledges totaling $64,463 and $60,270 for the years ended June 30, 2023 and 2022, respectively, from board of trustee members are included in the consolidated statements of financial position as Contribution Receivable.

NOTE 16 RELATED PARTY TRANSACTIONS (CONTINUED)

A board member is related to a company that has provided building design and construction services. Any contracts entered into were approved in accordance with the board of trustees' conflict of interest policy.

The University provides administrative support to the St. Paul Seminary through accounting assistance, access to the University's administrative computer systems to record financial transactions, building maintenance and utility services, general access to the University computer network, and other support functions. In addition, the St. Paul Seminary provides subsidies to the University for operations of the Saint Paul Seminary School of Divinity of the University of St. Thomas. The receivable due from the St. Paul Seminary was $432 and $259 for the years ended June 30, 2023 and 2022, respectively. This receivable balance is included on the consolidated statements of financial position.

NOTE 17 LEASES

The University has entered into both finance and operating leases for facilities, equipment, and vehicles. The lease terms generally range from three years to five years with options to renew at varying times. In the normal course of business, it is expected that these leases will be renewed or replaced by similar leases.

The following table provides quantitative information concerning the University's leases:

(in thousands)	2023	2022
Lease Cost		
Finance Lease Cost:		
Amortization of Right-to-Use Asset	$ 2,676	$ 2,331
Interest on Lease Liability	288	217
Operating Lease Cost	678	468
Short-Term Lease Cost	-	4
Variable Lease Cost	25	41
Total Lease Cost	$ 3,667	$ 3,061
Other Information		
Cash Paid for Amounts Included in the Measurement of Lease Liabilities:		
Operating Cash Flows from Finance Leases	$ 2,676	$ 2,331
Operating Cash Flows from Operating Leases	$ 678	$ 468
Financing Cash Flows from Finance Lease	$ 288	$ 217
Right-of-Use Assets Obtained in Exchange for New Finance Lease Liabilities	$ 5,828	$ 2,919
Right-of-Use Assets Obtained in Exchange for New Operating Lease Liabilities	$ -	$ -
Weighted Average Remaining Lease Term - Finance Leases	3.0 Years	2.4 Years
Weighted Average Remaining Lease Term - Operating Leases	2.9 Years	2.2 Years
Weighted Average Discount Rate - Finance Leases	2.9%	2.0%
Weighted Average Discount Rate - Operating Leases	5.5%	5.5%

NOTE 17 LEASES (CONTINUED)

A maturity analysis of annual undiscounted cash flows for lease liabilities of June 30, 2023 is as follows:

(in thousands) Year Ending June 30,	Finance Leases	Operating Leases
2024	$ 2,830	$ 612
2025	2,665	640
2026	1,274	197
2027	547	70
2028	252	-
Total Future Commitments	7,568	1,519
Less: Amount Representing Interest	(708)	(69)
Present Value of Future Minimum Lease Payments	$ 6,860	$ 1,450

Operating leases are included in Other Assets and Other Liabilities, and finance leases are included in Land, Buildings, and Equipment, Net and Other Liabilities in the consolidated statements of financial position. The asset and liability balances are as follows:

(in thousands)	2023	2022
Finance Lease Assets:		
Right-of-Use Assets - Finance Assets, Net of Amortization	$ 5,426	$ 3,951
Other Land, Buildings, and Equipment, Net	598,051	521,592
Total Land, Buildings, and Equipment	$ 603,477	$ 525,543
Operating Lease Assets:		
Right-of-Use Assets - Operating Assets	$ 1,450	$ 1,317
Other Inventories, Prepaid Expenses, and Other Assets	5,933	5,472
Total Inventories, Prepaid Expenses, and Other Assets	$ 7,383	$ 6,789
Finance and Operating Lease Liabilities:		
Finance Lease Liability	$ 6,860	$ 3,766
Operating Lease Liability	1,450	1,317
Other Deposits and Other Liabilities	26,748	29,626
Total Deposits and Other Liabilities	$ 35,058	$ 34,709

NOTE 18 COMMITMENTS AND CONTINGENCIES

In the normal course of operations, the University is subject to various claims and lawsuits. Additionally, amounts received and expended under various federal and state programs are subject to audit by government agencies. In management’s opinion, the ultimate resolution of these contingencies would not have a significant adverse effect upon the overall consolidated financial position, operations, or cash flows of the University.

NOTE 18 COMMITMENTS AND CONTINGENCIES (CONTINUED)

The University is self-insured with respect to certain workers' compensation costs. The University's stop-loss insurance limits the University's liability to $500 per incident and $2,092 in aggregate per year.

The University has a self-insured health benefit plan that covers active employees who elect to participate. Total claims and stop-loss provision costs, less premium payments from participants, were $13,468 and $13,587 for the fiscal years ending in 2023 and 2022, respectively. The University carries stop-loss insurance coverage that limits the University's claim liability to $200 for each individual on an annual basis, with aggregate claim liabilities of $21,027 and $20,967 or fiscal years ended 2023 and 2022, respectively.

During 2023, the University entered into agreements with various parties in connection with construction of the following building projects:

(in thousands)	Estimated Total Costs	Project Costs Incurred as of June 30, 2023
Schoenecker Center (STEAM)	$ 94,103	$ 68,448
Brady, Dowling, Koch Commons Renovations	24,925	23,500
Athletics Complex	6,013	1,584
Other Projects	505	87
Total	$ 125,546	$ 93,619

NOTE 19 CONCENTRATIONS

Support revenue, which is a combination of Private Gifts and Grants, Grants and Contracts, and Endowment Gifts on the consolidated statements of activities, from nine funders represent 28% and three funders represent 39% of the University's total support revenue for the years ended June 30, 2023 and 2022, respectively. Contributions receivable from two funders represent 50% and three funders represent 58% of the University's contributions receivable as of June 30, 2023 and 2022.

NOTE 20 COMPOSITE SCORE

The University participates in various federally funded student financial aid programs. Under regulatory provisions of these programs, the University is required to demonstrate financial responsibility by meeting a certain composite score based on a formula developed by the Department of Education. This score uses financial ratios based on the University's audited financial statements. The composite score calculated reflects the overall relative financial health of institutions along a scale of negative 1.0 to positive 3.0. A score greater than or equal to 1.5 indicates the institution is considered financially responsible.

NOTE 20 COMPOSITE SCORE (CONTINUED)

The composite score for the year ended June 30, 2023, is as follows:

(in thousands)		
Primary Reserve Ratio:		
Expendable Net Assets	$ 526,285	
Total Expenses/Losses	$ 297,091	1.7715
Equity Ratio:		
Modified Net Assets	$ 1,257,766	
Modified Assets	$ 1,689,513	0.7445
Net Income Ratio		
Change in Net Assets Without Donor Restrictions	$ (10,755)	
Total Revenue/Gains	$ 296,390	(0.0363)

	Ratios	Strength Factors	Weight	Composite Score
Primary Reserve	1.77	3.00	40%	1.20
Equity	0.74	3.00	40%	1.20
Net Income	(0.04)	0.09	20%	0.02
Total Composite Score				2.42

See below for additional disclosures deemed necessary to calculate certain ratios for determining sufficient financial responsibility under Title IV.

(in thousands)		
Net Assets		
1 Net assets with donor restrictions: restricted in perpetuity	$	418,126
2 Other net assets with donor restrictions (not restricted in perpetuity):		
a. Annuities with donor restrictions	$	12,645
b. Term endowments		-
c. Life income funds (trusts)		-
d. Total annuities, term endowments, and life income funds with donor restrictions	$	12,645
Property, Plant, and Equipment, net		
3 Pre-implementation property, plant, and equipment, net		
a. Ending balance of pre-implementation as of June 30, 2022	$	362,173
b. Reclassify capital lease assets previously included in PPE, net prior to the implementation of ASU 2016-02 leases standard		-
c. Less subsequent depreciation and disposals (net of accumulated depreciation)		(11,072)
d. Balance pre-implementation property, plant, and equipment, net	$	351,101
4 Debt financed post-implementation property, plant, and equipment, net Long-lived assets acquired with debt subsequent to June 30, 2019:		
a. Equipment		4,345
b. Land improvements		-
c. Building		101,380
d. Total property, plant, and equipment, net acquired with debt exceeding 12 months		105,725
5 Construction in progress - acquired subsequent to June 30, 2020		116,706
6 Post-implementation property, plant, and equipment, net, acquired without debt:		
a. Long-lived assets acquired without use of debt subsequent to June 30, 2019		29,945
7 Total Property, Plant, and Equipment, net - June 30, 2023	$	603,477

NOTE 20 COMPOSITE SCORE (CONTINUED)

(in thousands)

Debt to be excluded from expendable net assets			
8	Pre-implementation debt:		
	a. Ending balance of pre-implementation as of June 30, 2020	$	215,311
	b. Reclassify capital leases previously included in long-term debt prior to the implementation of ASU 2016-02 leases standard.		-
	c. Less subsequent debt repayments		(11,525)
	d. Balance Pre-implementation Debt		203,786
9	Allowable post-implementation debt used for capitalized long-lived assets:		
	a. Equipment - all capitalized		1,760
	b. Land improvements		-
	c. Buildings		18,058
	d. Balance Post-implementation Debt		19,818
10	Construction in progress (CIP) financed with debt or line of credit		72,303
11	Long-term debt not for the purchase of property, plant, and equipment or liability greater than assets value		60,240
		$	356,147

(in thousands)

	Expendable Net Assets:		
Statement of Financial Position (SFP)	Net assets without donor restrictions	$	507,163
SFP	Net assets with donor restrictions	$	815,498
Note 20 Line 1	Net assets restricted in perpetuity	$	418,126
Note 20 Line 20	Unsecured related-party receivable	$	64,895
Note 20 Line 2d	Donor restricted annuities, term endowments, life income funds	$	12,645
Note 20 Line 3d	Property, plant, and equipment pre-implementation	$	351,101
Note 20 Line 4d	Property, plant, and equipment post-implementation with outstanding debt for original purchase	$	105,725
Note 20 Line 5	Construction in progress purchased with long-term debt	$	116,706
Note 20 Line 35	Post-implementation property, plant, and equipment, net, acquired without debt	$	29,945
Note 20 Line 14	Lease right-of-use asset, pre-implementation (grandfather of leases option not chosen)	$	-
Note 17	Lease right-of-use asset not already included in PPE, post-implementation	$	1,450
SFP	Intangible assets	$	-
SFP	Post-employment and pension liabilities	$	-
Note 20 Line 8d	Long-term debt - for long-term purposes pre-implementation	$	203,786
Note 20 Line 9d	Long-term debt - for long-term purposes post-implementation	$	19,818
Note 20 Line 10	Line of credit for construction in progress	$	72,303
Note 20 Line 17	Pre-implementation right-of-use asset liability	$	-
Note 17	Post-implementation right-of-use asset liability	$	8,310
	Total Expenses and Losses:		
Statement of Activities (SOA)	Total expenses (operating and nonoperating) without donor restrictions	$	297,091
SOA	Non-service component of pension/postemployment (nonoperating) cost, (if loss)	$	-
Note 20 Line 22	Sale of fixed assets (if loss)	$	-
SOA	Change in value of interest-rate swap agreements (if loss)	$	-
Equity Ratio:			
	Modified Net Assets:		
SFP	Net assets without donor restrictions	$	507,163
SFP	Net assets with donor restrictions	$	815,498
Note 20 Line 14	Lease Right-of-use asset - Pre-implementation	$	-
Note 20 Line 17	Lease Right-of-use liability - Pre-implementation	$	-
SFP	Intangible assets	$	-
Note 20 Line 20	Unsecured related-party receivables	$	64,895
	Modified Assets:		
SFP	Total assets	$	1,754,408
Note 20 Line 14	Lease right-of-use asset pre-implementation	$	-
SFP	Intangible assets	$	-
Note 20 Line 20	Unsecured related-party receivables	$	64,895
Net Income Ratio:			
SOA	**Change in Net Assets Without Donor Restrictions**	$	(10,755)
	Total Revenues and Gains Without Donor Restriction:		
SOA	Total operating revenue (including net assets released from restrictions)	$	296,039
SOA	Investments gain, net (aggregate operating and non-operating interest, dividends, realized and unrealized gains)	$	-
SOA	Non-service component of pension/postemployment (nonoperating) cost (if gain)	$	-
SOA	Pension-related changes other than net periodic pension costs (if gain)	$	-
SOA	Change in value of annuity agreement (typically in nonoperating)	$	-
SOA	Change in value of interest-rate swap agreements (if gain)	$	342
SOA	Sale of fixed assets (if gain)	$	9
SOA	Other gains	$	-