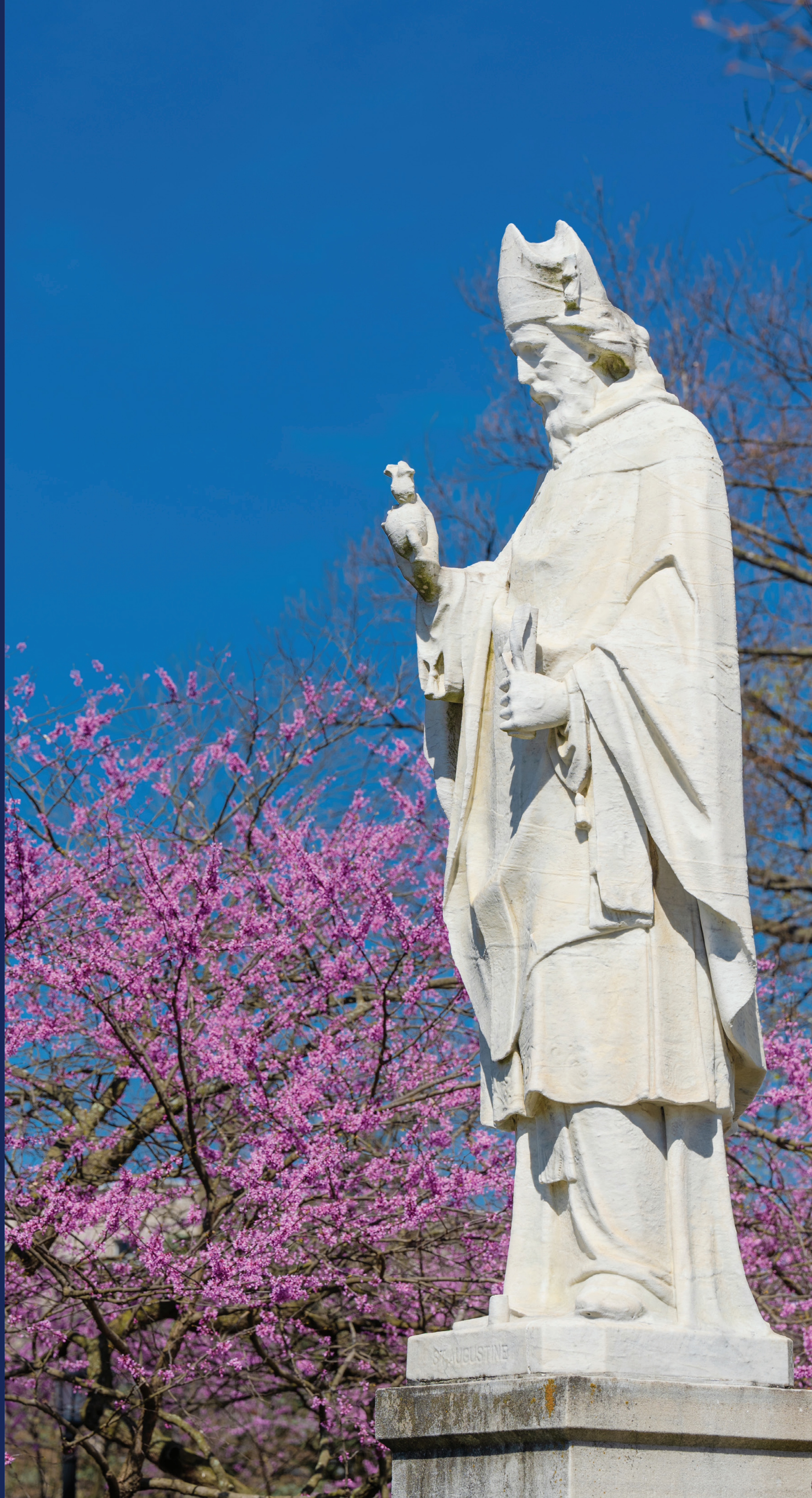
VILLANOVA UNIVERSITY

and Subsidiaries



FINANCIAL STATEMENTS

May 31, 2024

VILLANOVA UNIVERSITY

FINANCIAL STATEMENTS
May 31, 2024

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KPMG LLP
Suite 1000
30 North Third Street
Harrisburg, PA 17101

Independent Auditors' Report

To the Board of Trustees of
Villanova University:

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Villanova University and its subsidiaries (the University), which comprise the consolidated statement of financial position as of May 31, 2024, and the related consolidated statements of activities and change in net assets and cash flows for the year then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the University as of May 31, 2024, and the changes in its net assets and its cash flows for the year then ended in accordance with U.S. generally accepted accounting principles.

Basis for Opinion

We conducted our audit 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 the University and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Other Matter

The consolidated financial statements of the University as of and for the year ended May 31, 2023 were audited by another auditor, who expressed an unmodified opinion on those statements on October 11, 2023.

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 U.S. generally accepted accounting principles, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the University's ability to continue as a going concern for one year after the date that the consolidated financial statements are 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 consolidated 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 consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the University's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the University's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

KPMG LLP

Harrisburg, Pennsylvania
October 7, 2024

VILLANOVA UNIVERSITY AND SUBSIDIARIES
Consolidated Statements of Financial Position at May 31, 2024 and 2023
(in thousands)

	2024	2023
ASSETS		
Cash and cash equivalents	$ 63,200	$ 39,356
Accounts receivable, net	16,015	11,209
Other assets	12,879	11,749
Assets whose use is limited	226,854	4
Prepaid pension asset	-	1,160
Pledges receivable, net	107,201	94,849
Student loans receivable, net	3,922	4,509
Investments	1,390,313	1,341,352
Right of use assets under operating leases	13,943	14,482
Land, buildings and equipment, net	881,522	800,660
Total assets	$ 2,715,849	$ 2,319,330
LIABILITIES		
Accounts payable	$ 44,805	$ 34,702
Accrued expenses	45,480	41,647
Operating lease liabilities - current	1,257	1,181
Deposits	7,111	7,110
Deferred revenues	22,603	23,245
Accrued postretirement benefits	5,756	6,521
Refundable government loan funds	4,234	6,198
Operating lease liabilites - non-current	13,109	13,670
Long-term debt	417,726	201,821
Total liabilities	562,081	336,095
NET ASSETS		
Without donor restrictions	1,129,083	1,039,284
With donor restrictions	1,024,685	943,951
Total net assets	2,153,768	1,983,235
Total liabilities and net assets	$ 2,715,849	$ 2,319,330

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

VILLANOVA UNIVERSITY AND SUBSIDIARIES

Consolidated Statement of Activities and Change in Net Assets for the Year Ended May 31, 2024
(with comparative summary information for the year ended May 31, 2023)
(in thousands)

	Without Donor Restrictions	With Donor Restrictions	Total	2023 Total
OPERATING REVENUES				
Student related revenue:				
Student tuition and fees, net	$ 364,402	$ -	$ 364,402	$ 349,418
Sales and services of auxiliary enterprises, net	104,939	-	104,939	98,947
Total student related revenue	469,341	-	469,341	448,365
Gifts	23,807	37,963	61,770	54,139
Government grants	15,002	-	15,002	13,059
Private grants	2,917	-	2,917	4,350
Endowment resources	21,919	30,216	52,135	45,717
Investment income, net	8,702	8	8,710	7,487
Other sources	40,403	637	41,040	34,200
Net assets released from restrictions	42,832	(42,832)	-	-
Total operating revenues	624,923	25,992	650,915	607,317
OPERATING EXPENSES				
Salaries and benefits	384,792	-	384,792	352,977
Other operating expenses	166,113	-	166,113	158,879
Depreciation	42,320	-	42,320	40,185
Interest	6,908	-	6,908	6,835
Total operating expenses	600,133	-	600,133	558,876
Change in net assets from operating activities, prior to nonrecurring loss	24,790	25,992	50,782	48,441
Loss on decommissioned facilities	(4,050)	-	(4,050)	-
Change in net assets from operating activities	20,740	25,992	46,732	48,441
NON-OPERATING				
Investment return, net of management fees	40,651	95,887	136,538	21,759
Endowment resources	(21,919)	(30,216)	(52,135)	(45,717)
Other components of net periodic pension cost	(403)	-	(403)	(1,344)
Endowment and other gifts	-	43,236	43,236	29,033
Capital gifts released from restriction	54,165	(54,165)	-	-
Adjustment for retirement plan obligations	15,343	-	15,343	2,252
Settlement cost of pension termination	(18,778)	-	(18,778)	-
Total nonoperating activities	69,059	54,742	123,801	5,983
Total change in net assets	89,799	80,734	170,533	54,424
Net assets				
Beginning of year	1,039,284	943,951	1,983,235	1,928,811
End of year	$ 1,129,083	$ 1,024,685	$ 2,153,768	$ 1,983,235

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

VILLANOVA UNIVERSITY AND SUBSIDIARIES

Consolidated Statement of Activities and Change in Net Assets for the Year Ended May 31, 2023
(in thousands)

	Without Donor Restrictions	With Donor Restrictions	Total
OPERATING REVENUES			
Student related revenue:			
Student tuition and fees, net	$ 349,418	$ -	$ 349,418
Sales and services of auxiliary enterprises, net	98,947	-	98,947
Total student related revenue	448,365	-	448,365
Gifts	15,571	38,568	54,139
Government grants	13,059	-	13,059
Private grants	4,350	-	4,350
Endowment resources	19,151	26,566	45,717
Investment income, net	7,482	5	7,487
Other sources	33,134	1,066	34,200
Net assets released from restrictions	36,829	(36,829)	-
Total operating revenues	577,941	29,376	607,317
OPERATING EXPENSES			
Salaries and benefits	352,977	-	352,977
Other operating expenses	158,879	-	158,879
Depreciation	40,185	-	40,185
Interest	6,835	-	6,835
Total operating expenses	558,876	-	558,876
Change in net assets from operating activities	19,065	29,376	48,441
NON-OPERATING			
Investment return, net of management fees	6,774	14,985	21,759
Endowment resources	(19,151)	(26,566)	(45,717)
Rental property return, net	-	-	-
Other components of net periodic pension cost	(1,344)	-	(1,344)
Endowment and other gifts	100	28,933	29,033
Capital gifts released from restriction	3,750	(3,750)	-
Adjustment for retirement plan obligations	2,252	-	2,252
Total nonoperating activities	(7,619)	13,602	5,983
Total change in net assets	11,446	42,978	54,424
Net assets			
Beginning of year	1,027,838	900,973	1,928,811
End of year	$ 1,039,284	$ 943,951	$ 1,983,235

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

VILLANOVA UNIVERSITY AND SUBSIDIARIES

Consolidated Statements of Cash Flows
For the years ended May 31, 2024 and 2023
(in thousands)

	2024	2023
CASH FLOW FROM OPERATING ACTIVITIES		
Increase in net assets	$ 170,533	$ 54,424
Adjustments to reconcile change in net assets to net cash used by operating activities:		
Depreciation	42,320	40,185
Loss on decommissioned facilities	4,050	-
Contributions restricted for long-term investment	(62,661)	(48,854)
Realized gains on sales of investments	(52,826)	(27,208)
Change in market value of investments	(89,282)	(2,980)
Pension and other postretirement benefit plan adjustments	3,838	(908)
Receipt of contributed securities	-	(12,307)
Amortization of operating lease assets	22	22
Amortization of debt premium	(1,933)	(2,160)
Changes in operating assets and liabilities:		
Receivables, net	(17,158)	(17,454)
Accounts payable and accrued expenses	4,036	(11,280)
Other changes	(5,182)	(4,179)
Net cash used by operating activities	(4,243)	(32,699)
CASH FLOW FROM INVESTING ACTIVITIES		
Proceeds from sales of investments	510,946	594,782
Purchases of investments	(417,799)	(534,574)
Student loans receivable	587	863
Purchase of land, buildings and equipment	(117,332)	(104,586)
(Increase)/decrease in assets whose use is limited	(226,850)	11
Net cash used by investing activities	(250,448)	(43,504)
CASH FLOW FROM FINANCING ACTIVITIES		
Contributions restricted for long-term investment	62,661	48,854
Repayment of debt principal	(16,520)	(15,430)
Proceeds from borrowing, net	234,358	-
Refundable government loan funds	(1,964)	(885)
Net cash provided by financing activities	278,535	32,539
Net increase/(decrease) in cash and cash equivalents	23,844	(43,664)
Cash and cash equivalents at beginning of year	39,356	83,020
Cash and cash equivalents at end of year	$ 63,200	$ 39,356
SUPPLEMENTAL DISCLOSURES		
Purchases of land, building, and equipment in accounts payable	$ 28,423	$ 18,523
Cash paid for interest	8,250	9,048
Tax payments	1,259	1,080

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

NOTE 1 - SUMMARY OF NATURE OF OPERATIONS, SIGNIFICANT ACCOUNTING POLICIES AND REPORTING PRACTICES:

Nature of Operations

Villanova University and Subsidiaries (the "University") is an independent, coeducational institution offering undergraduate and graduate instruction, located in Radnor Township, Delaware County, Pennsylvania. The campus presently covers approximately 296 acres and comprises 96 buildings. The University also has a conference center (The Inn at Villanova University) approximately one-half mile from the campus which encompasses 33 acres. The University has approximately 10,100 students, of whom approximately 7,100 are full-time undergraduates.

Significant Accounting Policies and Reporting Practices

Principles of Consolidation

The consolidated financial statements include the accounts of the University and its subsidiaries. The Aldwyn Lane Limited Partnership (ALLP) and the Aldwyn Lane Limited Liability Corporation (ALLLC) are University subsidiaries under common control. These entities were formed to purchase two office buildings adjacent to the campus and are currently dormant as the properties are occupied exclusively by the University. All intercompany balances and transactions have been eliminated in consolidation.

Financial Statement Presentation

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

Resources are categorized for accounting purposes into separate classes of net assets based on the existence or absence of donor-imposed restrictions. In the accompanying consolidated financial statements, net assets that have similar characteristics have been combined into similar categories.

- **Without Donor Restrictions -** Net assets without donor restrictions generally result from revenues derived from providing services, receiving contributions without donor restrictions, receiving dividends and interest from investing in income-producing assets, and gains and losses from investments without donor restrictions, less expenses incurred in providing services, raising contributions, and performing administrative functions. Net assets without donor restrictions may be designated for specific purposes by action of the Board of Trustees.

- **With Donor Restrictions –** Net assets with donor restrictions generally result from contributions and other inflows of assets whose use by the University is limited by donor-imposed stipulations that either expire by passage of time, can be fulfilled and removed by actions of the University pursuant to those stipulations or by law, or represent corpus of contributions and other inflows of assets whose use by the University is limited by donor-imposed stipulations that neither expire by the passage of time nor can be fulfilled or otherwise removed by the University. Gifts of cash and other non-capital assets are reported as net assets with donor restrictions if the gifts are received with donor stipulations that limit the use of the donated assets. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose for restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the Consolidated Statement of Activities and Change in Net Assets as net assets released from restrictions. Contributions related to the construction or acquisition of fixed assets are also classified as net assets with donor restrictions. When the associated assets are placed in service, net assets with donor restriction are reclassified to net assets without donor restrictions and reported in the Consolidated Statement of Activities and Change in Net Assets as capital gifts released from restriction within non-operating activity.

NOTE 1 - SUMMARY OF NATURE OF OPERATIONS, SIGNIFICANT ACCOUNTING POLICIES AND REPORTING PRACTICES: (Continued)

Recently Adopted Accounting Standards

In June 2016, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) 2016-13, Financial Instruments – Credit Losses: Measurement of Credit Losses on Financial Instruments, which requires a financial asset (or a group of financial assets) measured at amortized cost to be presented at the net amount expected to be collected. The ASU is intended to improve financial reporting by requiring earlier recognition of credit losses on certain financial assets including trade and financing receivables. The ASU replaces the current incurred loss impairment model that recognizes losses when a probable threshold is met with a requirement to recognize lifetime expected credit losses immediately when a financial asset is originated or purchased. Additionally, from 2016 through 2023, the FASB issued additional related ASUs that provide further guidance and clarification and become effective for the University upon the adoption of ASU 2016-13. The University adopted ASU 2016-13 and its related ASUs (collectively referred to as Topic 326) effective June 1, 2023. Topic 326 did not have a material impact on the University's financial results or disclosures in 2024.

Fair Value

The University utilizes the fair value standard, which defines the term "fair value," establishes a measurement framework for generally accepted accounting principles in the United States (US GAAP), and expands disclosures regarding fair value measurements.

The standard established a three-level valuation hierarchy for disclosure of fair value measurements. The valuation hierarchy is based upon the transparency of inputs to the valuation of an asset or liability as of the measurement date. The three levels are defined as follows:

- *Level 1* – Observable inputs to the valuation methodology are quoted or published prices (unadjusted) for identical assets or liabilities in active markets;
- *Level 2* – Inputs to the valuation methodology include quoted prices for similar assets or liabilities in active markets, and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the same term of the financial instrument; and
- *Level 3* – Unobservable inputs to the valuation methodology in which there is little or no market data and which are significant to the fair value measurement

A financial instrument's categorization within the valuation hierarchy is based upon the lowest level of input that is significant to the fair value measurement.

The University utilizes the practical expedient to estimate the fair value of alternative investments at the measurement date using the net asset value (NAV) reported by the managers of such investments in accordance with their respective operating agreements, which generally requires fair valuation in accordance with US GAAP. Adjustment is required if the University expects to sell the investment at a value other than NAV or if the NAV is not calculated in accordance with US GAAP. The University holds alternative investments in its portfolio, consisting of public equities, diversifying assets, and private investments, which are generally valued based on the most current NAV. These amounts represent fair value of these investments at May 31, 2024 and 2023.

The University performs additional procedures including due diligence reviews on its investments and other procedures with respect to the capital account balance or NAV provided to ensure conformity with US GAAP. The University has assessed factors including, but not limited to, managers' compliance with the Fair Value Measurement standard, price transparency, and valuation procedures in place.

Investments in public equity consist of separate accounts, commingled funds, daily traded mutual funds, and limited partnership investments. Commingled funds and limited partnership interests are valued at NAV and are categorized as Investments at NAV in the fair value hierarchy.

Investments in diversifying assets consist of hedge funds, private credit, and opportunistic investments. Diversifying assets are valued at NAV and are categorized in accordance with the fair value standard. The liquidity terms for the hedge funds vary by individual investment, from monthly liquidity to illiquid. All of these investments are classified as Investments at NAV in the fair value hierarchy. Private credit and opportunistic investments consist of limited partnership interests and the liquidity terms are generally illiquid.

NOTE 1 - SUMMARY OF NATURE OF OPERATIONS, SIGNIFICANT ACCOUNTING POLICIES AND REPORTING PRACTICES: (Continued)

Fair Value (Continued)

Private investments consist of limited partnership interests. Limited partnership interests are valued at NAV and are categorized in accordance with the fair value standard. Since the University does not have the ability to redeem from the limited partnerships at the measurement date or is restricted from redeeming for an uncertain or extended period of time from the measurement date, the investments are classified as Investments at NAV in the fair value hierarchy using the practical expedient.

Investments in split-interest agreements consist of irrevocable charitable remainder trusts, charitable gift annuities, and pooled income funds where the University serves as trustee. The assets, invested in equity or debt securities, are measured at fair value on a recurring basis at quoted market prices and are thus categorized as Level 1. Liabilities represent the present value of the estimated future distributions to beneficiaries over the terms of the agreements and are included in accrued expenses on the Consolidated Statements of Financial Position. Investment gains and losses, and gains and losses associated with changes in the estimates of future distributions to beneficiaries, are included in investment return, net of management fees.

Investments of operating funds include fixed-income securities with original maturities of greater than one year. The assets are valued using observable market data to the degree that they can be valued based on quoted market prices; however, some of these investments are traded infrequently. They are categorized as Level 2 in the fair value hierarchy.

Operating funds are classified as follows for the year ended May 31, based on the maturity of the underlying investments:

	(in thousands)	
	2024	2023
Cash and cash equivalents	$ 63,200	$ 39,356
Short-term investments	-	32,230
Long-term investments	69,843	109,567
Total	$ 133,043	$ 181,153

As discussed in Note 10, the termination of the Villanova University Retirement Income Plan (defined benefit pension plan) was completed in October 2023. The University settled its obligations to plan participants by offering lump-sum payments and transferring the remaining liabilities and plan assets to a designated insurance company. As of May 31, 2023, the University's pension assets consisted of common collective trusts and cash. Investments in common collective trusts consisted of fixed income options traded in an active exchange market as well as investments in mutual funds. The assets were valued at the net asset value of units held at year-end. When available, quoted market prices were used to value the underlying investments held by the collective trusts. For underlying investments consisting of fixed maturities, valuations were generally obtained from third-party pricing services for identical or comparable assets or liabilities, non-binding broker quotes (when pricing service information is not available) or through the use of valuation methodologies using observable inputs. For underlying investments where vendor pricing was not available, internally developed valuations using one or more unobservable inputs or non-binding quotes were used to determine fair value. These investments in common collective trusts were categorized as Investments at NAV in the fair value hierarchy, while cash and cash equivalents were categorized as Level 1 in the hierarchy.

Cash and Cash Equivalents

Cash and cash equivalents represent demand deposits and other investments with an original maturity date not exceeding 90 days.

Investments

The Investments balance represents investments of operating funds, the endowment, and other investments. Operating fund investments are liquid investments with varying maturity dates. These investments are valued using observable market data to the degree that they can be valued based on quoted market prices. These are categorized as Level 2 in the fair value hierarchy.

NOTE 1 - SUMMARY OF NATURE OF OPERATIONS, SIGNIFICANT ACCOUNTING POLICIES AND REPORTING PRACTICES: (Continued)

Investments (Continued)

Endowment cash and cash equivalents are liquid investments with a maturity date of less than one year, though certain investments may be in securities with maturities of up to 13 months. The intent of the endowment cash and cash equivalents is to fund future investments in other asset categories. The University has elected to classify all cash equivalents within the endowment as investments.

The University records investments at fair value. Gains or losses on investments are recognized as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulations or by law.

Accounts Receivable, net

Accounts Receivable, net consist of student receivable balances, grant receivable balances, and other miscellaneous receivables. The receivables are shown net of allowances for doubtful accounts, which totaled $3,239,000 and $2,834,000 as of May 31, 2024 and 2023, respectively.

Investment Income

Investment income related to investments is recorded as non-operating income, and the portion of investment income that is utilized for operations under the University's endowment spending formula (see description in Note 4) is shown as a reduction in non-operating income ("Endowment resources"). Investment income related to the endowment is classified as net assets without donor restrictions or net assets with donor restrictions, depending on donor specifications and applicable law. Investment income related to operating funds is recorded as operating revenue.

Student Loans Receivable

Student loans receivable are stated net of allowances for doubtful accounts. Student loans receivable are principally amounts due from students under U.S. Government-sponsored loan programs, which are subject to significant restrictions.

Land, Building, and Equipment

Land, buildings and equipment are carried at cost on date of acquisition or fair value on the date of donation. Depreciation is computed on a straight-line basis over the estimated useful lives of land improvements (10-25 years), buildings and improvements (10-55 years) and equipment (4-10 years). Capitalized software costs included in equipment relate to purchased software, which is capitalized and depreciated on a straight-line basis over a five-year period.

Early Retirement Benefits

The University offers an early retirement program to full-time faculty members who meet certain eligibility criteria. The University accrues a liability for the present value of all future benefit payments for individuals who accept the early retirement offer at the time of acceptance.

NOTE 1 - SUMMARY OF NATURE OF OPERATIONS, SIGNIFICANT ACCOUNTING POLICIES AND REPORTING PRACTICES: (Continued)

Deferred Revenue and Other Assets

All revenues received and expenses paid prior to the end of the fiscal year which relate to the following fiscal year are recorded as deferred revenues or other assets, respectively.

Certain deferred revenue represents payments received prior to the start of the academic term or the following fiscal year. The following table depicts significant components of deferred revenue:

	(in thousands)			
	Balance at May 31, 2023	Revenue recognized in FY2024	Cash received in advance of performance	Balance at May 31, 2024
Tuition and Fees, net	$ 16,101	$ 16,101	$ 15,811	$ 15,811
Athletic Revenue	6,509	2,050	1,252	5,711
Summer Events	633	633	876	876
Miscellaneous Revenue	2	2	205	205
	$ 23,245	$ 18,786	$ 18,144	$ 22,603

The balance of deferred revenue at May 31, 2024, less any refunds issued, will be recognized as revenue over the applicable academic term, as services are rendered.

The University has not disclosed information about remaining performance obligations that have original durations of one year or less.

Noncash Gifts

Noncash gifts are recorded at fair value on the date of donation.

Employee Health Insurance

The University is self-insured for employee health expenses and pays the actual cost of claims, and bears risk related to these claims. There are risk-mitigation strategies in place such as stop loss insurance to reduce the impact of catastrophic claims.

Use of Estimates

The preparation of 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(s) of the financial statements and the reported amounts of revenues and expenses during the reporting period(s). Actual results could differ from those estimates.

Revenue recognition and disaggregation of revenue

Tuition revenue is recognized in the fiscal year in which the academic programs are delivered. Institutional scholarships awarded to students reduce the amount of revenue recognized. In addition, students who adjust their course load or withdraw completely within the first week of the academic term may receive a partial refund in accordance with the University's refund policy. Historically, refunds have totaled less than 1% of the total amount billed. Refunds issued reduce the amount of revenue recognized. Payments for tuition are due approximately 3 weeks prior to the start of the academic term.

NOTE 1 - SUMMARY OF NATURE OF OPERATIONS, SIGNIFICANT ACCOUNTING POLICIES AND REPORTING PRACTICES: (Continued)

Revenue recognition and disaggregation of revenue (Continued)

The following table shows the components of student tuition and fees, net of student financial aid by reportable segment for the year ended May 31:

	(in thousands)	
	2024	2023
Undergraduate	$ 447,653	$ 429,285
Graduate and other special programs	47,497	44,029
Law school	32,541	30,711
College of Professional Studies	7,548	7,554
Financial Aid	(170,837)	(162,161)
Student tuition and fees, net	$ 364,402	$ 349,418

Performance Obligations

A performance obligation is a promise in a contract to transfer a distinct good or service to the customer and is the unit of accounting in ASC Topic 606. A contract's transaction price is allocated to each performance obligation identified in the arrangement based on the relative standalone selling price of each distinct good or service in the contract and recognized as revenue when, or as, the performance obligation is satisfied. The primary method used to estimate standalone selling price is the adjusted market assessment approach, under which the market is evaluated and the price that a customer would be willing to pay for the goods and services the University provides is estimated.

The University's performance obligations are primarily satisfied over time during the course of an academic semester or academic year. Villanova's transaction price is determined based on gross price, net of scholarships and other discounts. The majority of the University's revenue is derived from tuition and educational services agreements with students, and thus, is recognized over time during each academic session. The University views the knowledge gained by the student as the benefit which the student receives during the academic sessions. Residence hall revenues are recognized over time throughout the occupancy period, which is most commonly during each academic session. Dining services revenues are recognized over time throughout the semester meal plan period or at the point of sale, depending on the nature of the purchase.

Contract Balances

The timing of billings, cash collections and revenue recognition results in accounts receivable (contract assets) and deferred revenue and student deposits (contract liabilities) on the Consolidated Statements of Financial Position. Receivables are recognized only to the extent that it is probable that the University will collect substantially all of the consideration to which it is entitled in exchange for the goods and services that will be transferred to the student.

Measure of Operations

The Consolidated Statement of Activities and Change in Net Assets reports all changes in net assets, including changes in net assets from operating and non-operating activities. Operating revenues in excess of operating expenses reflect all transactions that are an integral part of the University's programs and supporting activities, net assets released from donor restrictions to support operating expenditures, and transfers from board-designated and other non-operating funds to support current operating activities. The measure of operations includes support for operating activities from both donor-restricted net assets and net assets without donor restrictions except those of a capital or long-term nature, such as gifts for investments and endowments. Operating revenues include realized gains appropriated in accordance with the University's endowment spending policy (see description in Note 4). The measure of operations excludes grants for capital expenditures, endowment support for non-operating activities, investment return in excess of (or less than) amounts made available for current support, and gains and losses on extinguishment of debt (when applicable).

NOTE 1 - SUMMARY OF NATURE OF OPERATIONS, SIGNIFICANT ACCOUNTING POLICIES AND REPORTING PRACTICES: (Continued)

Measure of Operations (Continued)

Student tuition and fees as well as sales and services of auxiliary enterprises are shown net of student financial aid. As of May 31, 2024 and 2023, student financial aid for tuition and fees totaled $170,837,000 and $162,161,000, respectively. Student financial aid related to auxiliary revenues totaled $6,487,000 and $6,299,000 as of May 31, 2024 and 2023, respectively.

Expenses associated with the operation and maintenance of plant, depreciation and interest expenses have been allocated to the functional operating expense categories in Note 11.

In the year ended May 31, 2024, a loss on decommissioned facilities of $4,050,000 was recognized as the result of a write-off of the remaining book value of facilities that were taken out of service and subsequently demolished in order to make room for construction of a new library and a larger parking structure.

Total Revenue and Gains Without Donor Restrictions equaled $689,931,000 and $570,322,000 as of May 31, 2024 and 2023, respectively.

Related Parties

Members of the Board and University senior management may, from time to time, be associated either directly or indirectly with companies doing business with the University. The University has a written conflict of interest policy that requires annual reporting by each Board member and University senior management. When such relationships exist, measures are taken to mitigate any actual or perceived conflict, including requiring that such transactions be conducted at arms' length, based on terms that are fair and reasonable to and in the best interest of the University.

NOTE 2 – LIQUIDITY AND AVAILABILITY

The following table reflects the University's financial assets as of May 31, 2024 and May 31, 2023, reduced by amounts not available for general expenditures within one year. Financial assets are considered unavailable when illiquid or not convertible to cash within one year of the date of the Consolidated Statements of Financial Position. Other financial assets which are excluded from this measure of liquidity include endowments and accumulated earnings restricted by donors or the University's Board of Trustees, bond proceeds that can only be used for specific capital projects, assets held for or by others, and annuity reserves.

	(in thousands)	
	2024	2023
Financial assets		
Cash and cash equivalents	$ 63,200	$ 39,356
Accounts receivable, net	16,015	11,209
Other assets	12,879	11,749
Assets whose use is limited	226,854	4
Prepaid pension asset	-	1,160
Pledges receivable, net	107,201	94,849
Student loans receivable, net	3,922	4,509
Investments	1,390,313	1,341,352
Financial assets at May 31	1,820,384	1,504,188
Less those unavailable for general expenditure within one year:		
Pledges receivable, net	107,201	94,849
Short-term investments	-	36
Accounts receivable beyond one year	2,210	1,612
Other assets	12,879	11,749
Assets whose use is limited	226,854	4
Prepaid pension asset	-	1,160
Student loans receivable, net	3,922	4,509
Endowment assets restricted by donors	835,759	735,001
Unrestricted endowment	477,274	459,915
Investments held for other purposes	7,437	4,603
Financial assets not available for expenditure within one year	1,673,536	1,313,438
Financial assets available to meet cash needs for general purposes within one year	$ 146,848	$ 190,750

As of May 31, 2024, the University had liquid assets on hand equal to 95 days of operating expenses. The University's practice is to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

The University is substantially supported by student tuition and fees, sales and services of auxiliary enterprises and gifts with and without donor restrictions. Because donor restrictions require resources to be used in a particular manner or in a future period, the University must maintain sufficient resources to meet those responsibilities to its donors. Thus, financial assets may not be available for general expenditure within one year.

The University maintains two unsecured lines of credit totaling $60,000,000, representing 39 days of operating expenses. $20,000,000 of funds were drawn from these lines during the 2024 fiscal year, to provide temporary liquidity for the endowment. As of May 31, 2024 and 2023, there were no outstanding balances related to the lines of credit.

NOTE 2 – LIQUIDITY AND AVAILABILITY: (Continued)

Additionally, as of May 31, 2024 and 2023, the University had board designated endowments and other investments of $477,274,000 and $459,915,000, respectively. Although the University does not intend to spend from these investments, other than amounts appropriated for spending as part of its annual budget approval and appropriation process, they could be made available for general expenditures within one year, if necessary, subject to liquidity of the underlying investments.

NOTE 3 – DISCLOSURES ABOUT FAIR VALUE OF FINANCIAL INSTRUMENTS:

At May 31, 2024 and 2023, the fair value of cash and cash equivalents and deposits with bond trustees approximate their respective carrying amounts. The fair value of deposits with bond trustees are based on the quoted market price of the underlying securities (and would be considered Level 1).

Determination of the fair value of student loans receivable, which are primarily federally sponsored student loans with U.S. government mandated interest rates and repayment terms and subject to significant restrictions as to their transfer or disposition, is not practicable.

The following tables present the financial instruments carried at fair value on a recurring basis as of May 31, 2024 and May 31, 2023, respectively, and indicate the fair value hierarchy of the valuation techniques that were utilized to determine such fair value. The tables reflect Investments in the Consolidated Statements of Financial Position.

	As of May 31, 2024 (in thousands)				
	Total	Level 1	Level 2	Level 3	Investments at NAV
Cash equivalents - endowment	$ 23,135	$ 23,135	$ -	$ -	$ -
Public equities	492,985	26,997	-	-	465,988
Diversifying assets	446,313	-	-	-	446,313
Private Investments	348,719	-	-	-	348,719
Split-interest agreements	4,415	4,415	-	-	-
Investments of operating funds	69,843	-	69,843	-	-
Other investments	4,903	4,903	-	-	-
Total	$ 1,390,313	$ 59,450	$ 69,843	$ -	$ 1,261,020

	As of May 31, 2023 (in thousands)				
	Total	Level 1	Level 2	Level 3	Investments at NAV
Cash equivalents - endowment	$ 16,785	$ 16,785	$ -	$ -	$ -
Public equities	438,230	-	-	-	438,230
Diversifying assets	408,917	-	-	-	408,917
Private Investments	327,244	-	-	-	327,244
Split-interest agreements	4,134	4,134	-	-	-
Investments of operating funds	141,797	-	141,797	-	-
Other investments	4,245	4,245	-	-	-
Total	$ 1,341,352	$ 25,164	$ 141,797	$ -	$ 1,174,391

The methods described in Note 1 may produce a fair value calculation that is not be indicative of net realizable value or reflective of future fair values. Furthermore, while the University believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different estimate of fair value at the reporting date.

NOTE 3 - DISCLOSURES ABOUT FAIR VALUE OF FINANCIAL INSTRUMENTS: (Continued)

Liquidity risk is the risk that the University will not be able to meet its obligations associated with financial liabilities due to restrictions on ability to redeem investments. The University has made investments in various long-lived partnerships and, in other cases, has entered into contractual agreements that may limit its ability to initiate redemptions due to notice periods, lock-ups and gates. Details on the estimated remaining life and current redemption terms by asset class and type of investment are provided below:

	Liquidity
Cash & cash equivalents-endowment	Daily
Public equities	Varies
Diversifying assets	Varies
Private Investments	Illiquid
Split-interest agreements	Daily
Investments of operating funds	Daily
Other investments	Daily

Required notice prior to redemption varies, generally between no required advance notice to 90 days' notice. The remaining life of private investment partnerships varies by individual investment, with the longest anticipated remaining life being 11.6 years.

NOTE 4 - NET ASSETS:

Net assets with and without donor restriction as of May 31 are presented below:

	(in thousands)	
	2024	2023
Without Donor Restrictions		
Unrestricted endowment	$ 477,274	$ 459,915
Other net assets without donor restrictions	651,809	579,369
	$ 1,129,083	$ 1,039,284
With Donor Restrictions		
Purpose restricted:		
Unexpended contributions for instruction and scholarships	$ 99,872	$ 88,847
Unexpended contributions for capital expenditures	45,596	85,809
Time restricted for future periods:		
Annuity and life income funds	4,305	3,903
Endowment – accumulated change in market value of investments and realized gains	356,932	292,409
Restricted for time or purpose	506,705	470,968
Restricted in perpetuity:		
Student loans	1,895	1,894
Endowment principal, primarily for scholarships and instruction	516,085	471,089
	$ 1,024,685	$ 943,951

NOTE 4 - NET ASSETS: (Continued)

The University's endowment consists of approximately 1,250 individual funds established for a variety of purposes. The endowment includes donor-restricted endowment funds, funds designated by the Board of Trustees to function as endowments, and other funds set aside internally by the University. 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.

The Commonwealth of Pennsylvania has not enacted a version of the Uniform Prudent Management of Institutional Funds Act (UPMIFA), or a version of the Uniform Management of Institutional Funds Act (UMIFA). Governing law resides in 15 Pa. C.S. § 5548, *Investment of Trust Funds*. The University has interpreted relevant Pennsylvania law 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 net assets with donor restrictions (a) the original value of gifts donated to net assets with donor restrictions, (b) the original value of subsequent gifts to the net assets with donor restrictions, and (c) enhancements or diminishments of the fund from investment income, loss and spending allowance.

The University has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain purchasing power of the endowment assets. Endowment assets include those assets of donor-restricted funds that the University must hold in perpetuity or for a donor-specific period(s) 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 a real return, net of inflation and investment management costs, of at least 5% over the long term. Actual returns in any given year may vary from this amount.

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 and alternative investments to achieve its long-term objective within prudent risk constraints.

Under the University's spending policy, the University utilizes endowment and quasi-endowment resources to support operations at a level of 5% of the 12 calendar quarter moving average of the fair value of endowment and quasi-endowment investment assets calculated as of December 31st of the year immediately preceding the beginning of the University's fiscal year. Any difference between actual investment income and the amounts distributed is retained to support operations of future years. These retained balances are used in any year that the actual total investment return is below the spending rate. The remaining realized and unrealized gains/losses are reported as non-operating revenues. In establishing this policy, the University considered the long-term expected return on its endowment. Accordingly, over the long term, the University expects the current spending policy to allow its endowment to maintain spending at an amount equal to or less than total return less inflation.

At May 31, 2024, the endowment net asset composition by type of fund consisted of the following:

	(in thousands)		
	Without Donor Restrictions	With Donor Restrictions	Total
Amounts required to be maintained in perpetuity	$ -	$ 471,383	$ 471,383
Other invested principal	289,016	7,444	296,460
Accumulated investment gains	188,258	356,932	545,190
Total Funds	$ 477,274	$ 835,759	$ 1,313,033

NOTE 4 - NET ASSETS: (Continued)

Changes in endowment net assets for the fiscal year ended May 31, 2024 consisted of the following:

	(in thousands)		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	$ 459,915	$ 735,001	$ 1,194,916
Investment return:			
Investment Income	3,034	5,333	8,367
Management and Admin Fees	(5,169)	(9,126)	(14,295)
Net appreciation (realized and unrealized)	40,468	98,531	138,999
Total investment return, net	38,333	94,738	133,071
Contributions	-	36,236	36,236
Investment in Unrestricted Endowment	945	-	945
Distribution for Spending	(21,919)	(30,216)	(52,135)
Endowment net assets, end of year	$ 477,274	$ 835,759	$ 1,313,033

At May 31, 2023, the endowment net asset composition by type of fund consisted of the following:

	(in thousands)		
	Without Donor Restrictions	With Donor Restrictions	Total
Amounts required to be maintained in perpetuity	$ -	$ 435,148	$ 435,148
Other invested principal	288,070	7,444	295,514
Accumulated investment gains	171,845	292,409	464,254
Total Funds	$ 459,915	$ 735,001	$ 1,194,916

Changes in endowment net assets for the fiscal year ended May 31, 2023 consisted of the following:

	(in thousands)		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	$ 451,139	$ 714,387	$ 1,165,526
Investment return:			
Investment Income	1,131	3,481	4,612
Management and Admin Fees	(3,272)	(5,465)	(8,737)
Net appreciation (realized and unrealized)	9,520	17,648	27,168
Total investment return, net	7,379	15,664	23,043
Contributions	-	31,516	31,516
Investment in Unrestricted Endowment	20,548	-	20,548
Distribution for Spending	(19,151)	(26,566)	(45,717)
Endowment net assets, end of year	$ 459,915	$ 735,001	$ 1,194,916

NOTE 4 - NET ASSETS: (Continued)

From time to time, certain donor restricted endowment funds may have fair value below the amount required to be maintained by donors or law (“underwater endowment”). There were no such deficiencies reported at May 31, 2024 and 2023. Management has interpreted state law to permit prudent spending from underwater endowments.

NOTE 5 - INVESTMENTS:

Investment return reported in the Consolidated Statement of Activities for the year ended May 31 consisted of the following:

	(in thousands)		
	2024		
	Without Donor Restrictions	With Donor Restrictions	Total
Interest, dividends, and other income	$ 3,490	$ 5,691	$ 9,181
Net realized gains	18,677	34,149	52,826
Net change in unrealized gains and losses	24,104	65,179	89,283
Management fees and expenses	(5,620)	(9,132)	(14,752)
	$ 40,651	$ 95,887	$ 136,538

	(in thousands)		
	2023		
	Without Donor Restrictions	With Donor Restrictions	Total
Interest, dividends, and other income	$ 1,725	$ 3,028	$ 4,753
Net realized gains	9,467	17,742	27,209
Net change in unrealized gains and losses	(686)	(271)	(957)
Management fees and expenses	(3,732)	(5,514)	(9,246)
	$ 6,774	$ 14,985	$ 21,759

The University uses various external investment managers to diversify its investments. The largest allocations to any individual investment manager as of May 31, 2024 and 2023 were 7.7% and 7.4%, respectively.

At May 31, 2024, based on limited partnership agreements, the University had unfunded investment commitments totaling $283,605,000, which may be drawn over the next several years.

The financial statements of the limited partnerships are audited annually, generally as of December 31.

Alternative investments have liquidity restrictions. Amounts can be divested only at specified times based on the terms of the investment management agreements. Refer to Note 3 for additional information regarding redemption terms by asset class and type of investment.

NOTE 6 - LAND, BUILDINGS, AND EQUIPMENT:

Land, buildings, and equipment at May 31, 2024 and 2023 consisted of the following:

	(in thousands)	
	2024	2023
Land and improvements	$ 91,387	$ 87,081
Buildings and improvements	1,160,967	1,048,237
Equipment	96,904	91,423
Construction in progress	82,523	94,316
Capitalized interest	973	-
	1,432,754	1,321,057
Less accumulated depreciation	(551,232)	(520,397)
	$ 881,522	$ 800,660

NOTE 7 - ACCRUED EXPENSES:

Accrued expenses at May 31, 2024 and 2023 consisted of the following:

	(in thousands)	
	2024	2023
Faculty and Staff Salaries	$ 19,405	$ 21,873
Payroll Taxes	1,160	1,116
Interest on Long-Term Debt	3,766	2,331
Asset Retirement Obligations	2,410	2,263
Workers Compensation Claims	1,245	1,428
Vacation Accrual	2,496	2,185
Other	14,998	10,451
	$ 45,480	$ 41,647

NOTE 8 – LEASES:

The University has operating leases for administrative offices, off-site data storage and optical fiber strands. The University's leases vary in terms of up to 25 years, including renewal periods that are considered reasonably certain. The University recognizes a right of use asset and a lease liability for operating leases based on the net present value of future minimum lease payments. Lease expense is recognized on a straight-line basis over the non-cancelable lease term, including renewal periods that are considered reasonably certain. The periods related to any renewal options deemed not reasonably certain to be exercised were excluded from the lease term with respect to the right of use asset and lease liability calculations.

NOTE 8 – LEASES: (Continued)

Amounts recognized in the Consolidated Financial Statements and other lease metrics for the fiscal year ending May 31, 2024 and 2023:

	(in thousands) 2024	2023
Lease Expense		
Operating Leases	$ 1,411	$ 1,396
Short-Term Leases	526	611
Variable Leases	69	50
Total	$ 2,006	$ 2,057

	2024	2023
Other information related to Operating Leases:		
Cash payments	$ 1,357,337	$ 1,329,000
Right-of-use assets obtained in exchange for new lease obligations	733,412	-
Weighted-average remaining lease term (in years)	12.80	14.02
Weighted average discount rate	1.13%	0.94%

At May 31, 2024, maturities of lease liabilities were as follows:

	(in thousands)
2025	$ 1,408
2026	1,420
2027	1,354
2028	958
2029	980
Thereafter	9,184
Total	$ 15,304
Less: Present value discount	(938)
Total lease liabilities	$ 14,366

NOTE 9 - LONG-TERM DEBT:

Long-term debt payable at May 31, 2024 consisted of the following:

			(in thousands)			
Bond Issuance	Year of Maturity	Interest Rate	Original Face Amount	Outstanding Principal	Unamortized Premium	Unamortized Issuance Costs
Delaware County Authority Bonds (a):						
2016	2031	4% - 5%	$ 45,480	$ 32,405	$ 5,408	$ (250)
2015	2045	3% - 5%	141,270	128,830	7,009	(737)
2014	2024	5%	52,205	10,160	823	(51)
Pennsylvania Economic Development Financing Authority						
2024	2055	4% - 5%	216,000	216,000	20,532	(2,403)
				$ 387,395	$ 33,772	(3,441)
Total						$ 417,726

Long-term debt payable at May 31, 2023 consisted of the following:

			(in thousands)			
Bond Issuance	Year of Maturity	Interest Rate	Original Face Amount	Outstanding Principal	Unamortized Premium	Unamortized Issuance Costs
Bonds (a):						
2016	2031	4% - 5%	$ 45,480	$ 35,910	$ 6,084	$ (282)
2015	2045	3% - 5%	141,270	132,175	7,328	(770)
2014	2024	5%	52,205	19,830	1,647	(101)
				$ 187,915	$ 15,059	(1,153)
Total						$ 201,821

(a) The University has pledged and granted to the Delaware County Authority a lien on and security interest in the University's unrestricted revenues and certain property and equipment to collateralize the annual principal maturities and interest payments which average approximately $25,170,000 through 2029, and $20,534,000 from 2030 to 2055. The University is required to maintain unrestricted net revenues equal to 100% of the annual debt service requirement.

In April 2024, the University's 2024 Debt Series was issued through the Pennsylvania Economic Development Financing Authority to provide funding for the construction of a new library, the acquisition of the campus and assets used by Cabrini University, and deferred maintenance projects on the Cabrini Campus. The 2024 Series was issued as fixed rate debt, with a principal amount of $216,000,000.

All proceeds from the noted bond issuances were spent on capitalized assets or are being held for capitalized asset purchases. In addition, total plant-related debt amounted to $434,961,000 and $219,468,000 for the years ended May 31, 2024 and 2023, respectively.

NOTE 9 - LONG-TERM DEBT: (Continued)

In March 2024, the University entered into an agreement to refinance a portion of the outstanding Series 2015 Delaware County Authority Revenue Bonds. On May 1, 2025, $66,865,000 Series 2025A Revenue Bonds will be issued.

Aggregate maturities of long-term debt including call provisions at 100% for each of the next five fiscal years are as follows:

	(in thousands)
2025	$ 17,340
2026	7,530
2027	7,860
2028	8,185
2029	12,505
Thereafter	333,975
	$ 387,395

Interest paid on long-term debt amounted to $8,250,000 and $9,048,000 for the years ended May 31, 2024 and 2023, respectively. Interest expense allocated to the functional expense categories in Note 11 amounted to $6,908,000 and $6,835,000 for the years ended May 31, 2024 and 2023, respectively.

The Delaware County Authority bond agreements contain certain covenants, including financial covenants that require the University to generate net revenues at least equal to 100% of actual debt service requirements, and to certify that maximum annual debt service does not exceed 12% of unrestricted revenues. The University was in compliance with these requirements at May 31, 2024 and 2023.

NOTE 10 - PENSION AND OTHER POSTRETIREMENT BENEFIT COSTS:

The University sponsors a defined contribution retirement plan under which the University makes annual contributions for the benefit of the participants to the Teachers Insurance Annuity Association of America-College Retirement Equities Fund (TIAA-CREF), and the University has no further liability. The University's contributions to the defined contribution plan amounted to $20,692,000 and $18,589,000 for the years ended May 31, 2024 and 2023, respectively.

The University maintained a non-contributory defined benefit pension plan for certain full-time non-academic employees employed prior to May 31, 1999. Effective May 31, 2016, the defined benefit pension plan was frozen, with no future benefit accruals, as the result of a declining number of active employees participating in the plan. These employees were transitioned into the defined contribution pension plan effective June 1, 2016. The plan was fully funded as of May 31, 2021, and benefit accruals were frozen on May 31, 2016. In September 2021, the University notified participants in the defined benefit pension plan of its intention to fully terminate the plan effective October 31, 2021.

The termination process and the transfer of plan liabilities was completed in October 2023. The University settled its obligations to plan participants by offering lump-sum payments and transferring the remaining assets as annuities to a designated insurance company. The total settled benefits amounted to $48,805,000 which was funded from existing plan assets. As a result of the pension plan settlement, the University recognized a settlement cost of $18,778,000 in the Consolidated Statement of Activities for the year ended May 31, 2024. Following the termination and settlement, the University has no remaining obligations to plan participants. All benefit obligations of the University have been settled and related plan assets and liabilities have been removed from the Consolidated Statement of Activities.

The University provides postretirement medical benefits to retirees who met certain eligibility requirements and who retired prior to May 31, 2018. The University accrued for expected medical postretirement benefits over the years that the employees rendered the necessary service.

The University recognizes the funded status (the difference between the fair value of plan assets and the benefit obligation) of its pension and other postretirement plans in the Consolidated Statement of Financial Position, with a corresponding adjustment to net assets without donor restrictions.

NOTE 10 - PENSION AND OTHER POSTRETIREMENT BENEFIT COSTS: (Continued)

The following is a reconciliation of the beginning and ending balances of the University's projected pension benefit obligation:

	(in thousands)	
Change in Benefit Obligation	2024	2023
Benefit obligation at the beginning of the year	$ 46,249	$ 51,958
Interest cost on projected benefit obligations	944	2,055
Actuarial (gain)/loss	1,612	(3,335)
Settlement cost of pension termination	(18,778)	-
Benefits and administrative expenses paid	(30,027)	(4,429)
Benefit obligation at the end of the year	$ -	$ 46,249

The following table includes the significant assumptions upon which the calculation of the projected benefit obligation was based prior to plan termination:

	2023
Weighted average discount rate	5.07%
Expected long-term rate of return on assets	4.45%

The following table sets forth the funded status and amount recognized in the University's Consolidated Statements of Financial Position for the defined benefit plan:

	(in thousands)	
	2024	2023
Change in Plan Assets		
Fair value of plan assets at beginning of year	$ 47,409	$ 52,729
Actual return on plan assets	(1,640)	(891)
Employer contributions	3,036	-
Settlement cost of pension termination	(18,778)	-
Benefits and administrative expenses paid	(30,027)	(4,429)
Fair value of plan assets at end of year	$ -	$ 47,409
Funded Status		
Actuarial present value of benefit obligations:		
Projected benefit obligation	$ -	$ (46,249)
Plan assets at fair value	-	47,409
Funded Status	$ -	$ 1,160

Prior to plan termination, the University developed a target asset allocation for the pension assets with the assistance of an independent investment consultant. Asset values were shared with the University's actuarial consultant, who utilized a model to determine a range of reasonable expected rates of return based on the asset allocation and current capital market assumptions. The results were shared with the University and further discussed with the independent investment consultant and pension plan administrator. The expected rate of return was selected and was used in developing the net periodic benefit cost for the following fiscal year.

	(in thousands)	
Components of Net Periodic Cost	2024	2023
Interest cost on projected benefit obligation	$ 944	$ 2,055
Expected return on plan assets	(855)	(1,617)
Amortization of unrecognized net loss	383	1,075
Net periodic cost	$ 472	$ 1,513
Settlement expense	18,778	-
Total net periodic cost	$ 19,250	$ 1,513

NOTE 10 - PENSION AND OTHER POSTRETIREMENT BENEFIT COSTS: (Continued)

The following table includes the significant assumptions upon which the calculation of the net periodic expense was recorded prior to plan termination:

	2023
Weighted average discount rate	4.13%
Expected long-term rate of return on assets	3.20%

Plan assets were allocated at May 31, 2023 as follows:

	2023
Debt Securities	64%
Cash & cash equivalents	36%
Total	100%

The plan assets were diversified among a mix of assets including international equities, fixed income, and cash. Asset mix was targeted to a specific allocation that was established by evaluating expected return, standard deviation, and correlation of various assets against the plan's long-term objectives, along with the planned plan termination. Asset performance was monitored monthly and rebalanced if asset classes exceeded explicit ranges. The investment policy governed permitted types of investments. The Retirement Plans Investment Committee oversaw the pension investment program and monitored investment performance, utilizing specific benchmarks and performance percentiles. Risk was closely monitored through the evaluation of portfolio holdings and tracking the portfolio performance.

The following table presents the Plan's financial instruments carried at fair value on a recurring basis as of May 31, 2023, and indicates the fair value hierarchy of the valuation techniques that were utilized to determine such fair value, as discussed in Note 1.

	(in thousands)				
	Level 1	Level 2	Level 3	Investments at NAV	Total
Pension investment program:					
Equity securities	$ -	$ -	$ -	$ 51	$ 51
Debt securities	-	-	-	30,186	30,186
Cash and cash equivalents	17,172	-	-	-	17,172
Total at May 31, 2023	$ 17,172	$ -	$ -	$ 30,237	$ 47,409

The components of medical postretirement benefits as of May 31, 2024 and 2023 are as follows:

	(in thousands)	
	2024	2023
Projected benefit obligation	$ 5,756	$ 6,521
Fair value of plan assets	-	-
Unfunded status	$ (5,756)	$ (6,521)
Accrued post-retirement benefits	$ (5,756)	$ (6,521)
Weighted-average assumptions:		
Discount rate	5.25%	4.80%

NOTE 11 – EXPENSES BY BOTH NATURE AND FUNCTION:

The financial statements report certain categories of expenses that are attributable to one or more programs or supporting functions of the University. These expenses include depreciation, interest on indebtedness, and facilities operations and maintenance. Depreciation is allocated based on square footage and interest is allocated based on original purpose of the borrowed funds. Costs of other categories were allocated on estimates of time and effort.

(in thousands)

2024

	Salaries and benefits	Other Operating Expenses	Depreciation	Interest	Operations and Maintenance	Total Expenses
Instruction	$ 166,289	$ 21,143	$ 10,103	$ 252	$ 11,883	$ 209,670
Research	10,548	6,077	15	9	27	16,676
Academic Support	51,282	25,453	1,963	1,909	1,311	81,918
Student Services	45,794	32,342	7,102	7	7,719	92,964
Institutional Support	59,455	38,793	3,267	505	2,889	104,909
Auxiliary Enterprises	29,465	30,339	14,640	3,125	16,427	93,996
Operations and Maintenance	21,959	11,966	5,230	1,101	(40,256)	-
	$ 384,792	$ 166,113	$ 42,320	$ 6,908	$ -	$ 600,133

(in thousands)

2023

	Salaries and benefits	Other Operating Expenses	Depreciation	Interest	Operations and Maintenance	Total Expenses
Instruction	$ 157,561	$ 19,169	$ 9,182	$ 786	$ 13,308	$ 200,006
Research	9,245	5,691	15	33	30	15,014
Academic Support	46,417	22,699	1,826	(10)	1,674	72,606
Student Services	41,270	31,925	6,840	16	8,610	88,661
Institutional Support	53,814	32,454	3,021	700	3,055	93,044
Auxiliary Enterprises	25,352	28,282	13,959	4,046	17,906	89,545
Operations and Maintenance	19,318	18,659	5,342	1,264	(44,583)	-
	$ 352,977	$ 158,879	$ 40,185	$ 6,835	$ -	$ 558,876

Included in the above operating expenses are expenditures related to fund-raising activities for the year ended May 31, 2024 and 2023 of $20,145,000 and $17,882,000, respectively.

NOTE 12 - INCOME TAX:

The University is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code. The University files IRS Form 990-T (Exempt Organization Business Income Tax Return) annually, and is anticipating a net operating loss for the year ended May 31, 2024, with regards to unrelated business income reported on IRS Form 990-T. Management has analyzed the tax positions taken by the University, and has concluded that as of May 31, 2024 and 2023 there are no uncertain positions taken or expected to be taken that would require recognition of a liability (or asset) or disclosure in the consolidated financial statements.

NOTE 13 - COMMITMENTS AND CONTINGENCIES:

Under the terms of certain investment partnership agreements, the University and other investors are committed to fund additional investments as capital calls are exercised. Capital calls are generally exercised over a period of years and are subject to fixed expiration dates or other means of termination. The University's remaining commitments to all partnerships totaled $283,605,000 and $230,651,000 as of May 31, 2024 and 2023, respectively.

Outstanding commitments related to construction contracts totaled $128,494,000 as of May 31, 2024.

NOTE 13 – COMMITMENTS AND CONTINGENCIES: (Continued)

The University maintains two unsecured lines of credit, in the amounts of $30,000,000 each. $20,000,000 of funds were drawn from these lines during the 2024 fiscal year, to provide temporary liquidity for the endowment. As of May 31, 2024, there were no outstanding balances related to the lines of credit.

The University is party to certain claims and litigation arising in the ordinary course of business. In the opinion of management, the resolution of such claims and litigation will not materially affect the University's consolidated statement of financial position and changes in net assets, statement of activities or statement of cash flows.

NOTE 14 - UNCONDITIONAL PROMISES AND PLEDGES:

Contributions received, including unconditional promises, are recognized as revenue when the donor's commitment is received. Unconditional promises are recognized at the estimated present value of the future cash flows, net of allowances (fair value). Promises made that are designated for future periods or restricted by the donor for specific purposes are reported as net assets with donor restrictions. However, if a restriction is fulfilled in the same time period in which the contribution is received, the University reports the support as net assets without donor restrictions. Conditional promises are recorded when donor stipulations are substantially met.

Unconditional promises at May 31, 2024 and 2023 and the time periods in which they are expected to be realized are as follows:

	(in thousands)	
	2024	2023
In one year or less	$ 57,741	$ 51,932
Between one year and five years	74,132	66,467
In more than five years	8,746	7,044
Less: Discount	(14,343)	(10,893)
Allowance for doubtful accounts	(19,075)	(19,701)
	$ 107,201	$ 94,849

Estimated cash flows from pledges receivable due after one year are discounted using a base rate of the Federal Reserve Treasury constant maturities 5-year rate of return, adjusted for a risk factor related to potential write-offs of uncollectible pledges.

As of May 31, 2024 and 2023, donors with outstanding pledges exceeding 5% of the University's gross pledges receivable comprise 22% and 16%, respectively, of the total.

NOTE 15 – SUBSEQUENT EVENTS:

In connection with the preparation of the consolidated financial statements, the University evaluated subsequent events after the statement of financial position dated May 31, 2024 through its distribution date of October 7, 2024.

On June 28, 2024, Villanova University purchased the land, buildings, and certain other assets which formerly comprised the campus of Cabrini University ("Cabrini)" in exchange for cash consideration paid to Cabrini and to the Missionary Sisters of the Sacred Heart, including cash payment into an escrow account in order to defease Cabrini's outstanding tax-exempt debt. As part of the transaction, Villanova received $17,769,000 in restricted endowment funds from Cabrini, and made certain commitments related to the preservation of the legacy of Cabrini.

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