VILLANOVA UNIVERSITY

FINANCIAL STATEMENTS
May 31, 2023

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Report of Independent Auditors

To the Board of Trustees of Villanova University

Opinion

We have audited the accompanying consolidated financial statements of Villanova University and its subsidiaries (the “University”), which comprise the consolidated statements of financial position as of May 31, 2023 and 2022, and the related consolidated statements of activities and change in net assets and of cash flows for the years then ended, including the related notes (collectively referred to as 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, 2023 and 2022, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

We previously audited the consolidated statement of financial position as of May 31, 2021, and the related consolidated statements of activities and change in net assets and of cash flows for the year then ended (not presented herein), and in our report dated October 13, 2021, we expressed an unmodified opinion on those consolidated financial statements. In our opinion, the information set forth in the accompanying summarized financial information is consistent, in all material respects, with the audited consolidated financial statements from which it has been derived.

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 the University’s ability to continue as a going concern for one year after the date 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 US GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with US GAAS, we:

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

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

Philadelphia, Pennsylvania
October 11, 2023

[Signature]

Philadelphia, Pennsylvania
October 11, 2023
VILLANOVA UNIVERSITY AND SUBSIDIARIES  
Consolidated Statements of Financial Position at May 31, 2023 and 2022  
(in thousands)  

<table>
<thead>
<tr>
<th></th>
<th>2023</th>
<th>2022</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>ASSETS</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash and cash equivalents</td>
<td>$39,356</td>
<td>$83,020</td>
</tr>
<tr>
<td>Accounts receivable</td>
<td>11,209</td>
<td>10,233</td>
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<tr>
<td>Other assets</td>
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<td>Prepaid pension asset</td>
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<td>Pledges receivable, net</td>
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<td>78,371</td>
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<td>Student loans receivable, net</td>
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<td>5,397</td>
</tr>
<tr>
<td>Investments</td>
<td>1,341,352</td>
<td>1,359,040</td>
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<tr>
<td>Right of use assets under operating leases</td>
<td>14,482</td>
<td>15,732</td>
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<tr>
<td>Land, buildings and equipment, net</td>
<td>800,660</td>
<td>726,397</td>
</tr>
<tr>
<td><strong>Total assets</strong></td>
<td>$2,319,330</td>
<td>$2,287,455</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>LIABILITIES</strong></td>
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<tr>
<td>Accounts payable</td>
<td>$34,702</td>
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<tr>
<td>Accrued expenses</td>
<td>41,647</td>
<td>49,043</td>
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<tr>
<td>Operating lease liabilities - current</td>
<td>1,181</td>
<td>1,184</td>
</tr>
<tr>
<td>Deposits</td>
<td>7,110</td>
<td>6,307</td>
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<tr>
<td>Deferred revenues</td>
<td>23,245</td>
<td>24,753</td>
</tr>
<tr>
<td>Accrued postretirement benefits</td>
<td>6,521</td>
<td>7,436</td>
</tr>
<tr>
<td>Refundable government loan funds</td>
<td>6,198</td>
<td>7,083</td>
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<td>Operating lease liabilities - non-current</td>
<td>13,670</td>
<td>14,852</td>
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<tr>
<td>Long-term debt</td>
<td>201,821</td>
<td>219,262</td>
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<tr>
<td><strong>Total liabilities</strong></td>
<td>336,095</td>
<td>358,644</td>
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<td></td>
<td></td>
<td></td>
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<tr>
<td><strong>NET ASSETS</strong></td>
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</tr>
<tr>
<td>Without donor restrictions</td>
<td>1,039,284</td>
<td>1,027,838</td>
</tr>
<tr>
<td>With donor restrictions</td>
<td>943,951</td>
<td>909,973</td>
</tr>
<tr>
<td><strong>Total net assets</strong></td>
<td>1,983,235</td>
<td>1,928,811</td>
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<tr>
<td><strong>Total liabilities and net assets</strong></td>
<td>$2,319,330</td>
<td>$2,287,455</td>
</tr>
</tbody>
</table>

The accompanying notes are an integral part of the consolidated financial statements.
Consolidated Statement of Activities and Change in Net Assets for the Year Ended May 31, 2023

(in thousands)

VILLANOVA UNIVERSITY AND SUBSIDIARIES

<table>
<thead>
<tr>
<th></th>
<th>Without Donor Restrictions</th>
<th>With Donor Restrictions</th>
<th>Total</th>
<th>2022 Total</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>OPERATING REVENUES</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Student related revenue:</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Student tuition and fees, net</td>
<td>$349,418</td>
<td>$349,418</td>
<td>$336,480</td>
<td></td>
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<tr>
<td>Sales and services of auxiliary enterprises, net</td>
<td>98,947</td>
<td>98,947</td>
<td>86,675</td>
<td></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>448,365</td>
<td>448,365</td>
<td>423,155</td>
<td></td>
</tr>
<tr>
<td>Gifts</td>
<td>15,571</td>
<td>$38,568</td>
<td>54,139</td>
<td></td>
</tr>
<tr>
<td>Government grants</td>
<td>13,059</td>
<td>13,059</td>
<td>10,342</td>
<td></td>
</tr>
<tr>
<td>Private grants</td>
<td>4,350</td>
<td>4,350</td>
<td>3,180</td>
<td></td>
</tr>
<tr>
<td>Endowment resources</td>
<td>19,151</td>
<td>26,566</td>
<td>45,717</td>
<td></td>
</tr>
<tr>
<td>Investment income</td>
<td>7,482</td>
<td>5</td>
<td>7,487</td>
<td></td>
</tr>
<tr>
<td>Other sources</td>
<td>33,134</td>
<td>1,066</td>
<td>34,200</td>
<td></td>
</tr>
<tr>
<td>Net assets released from restrictions</td>
<td>36,829</td>
<td>(36,829)</td>
<td>-</td>
<td></td>
</tr>
<tr>
<td><strong>Total operating revenues</strong></td>
<td>577,941</td>
<td>29,376</td>
<td>607,317</td>
<td></td>
</tr>
<tr>
<td><strong>OPERATING EXPENSES</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Salaries and benefits</td>
<td>352,977</td>
<td>352,977</td>
<td>326,259</td>
<td></td>
</tr>
<tr>
<td>Other operating expenses</td>
<td>158,879</td>
<td>158,879</td>
<td>134,914</td>
<td></td>
</tr>
<tr>
<td>Depreciation</td>
<td>40,185</td>
<td>40,185</td>
<td>38,299</td>
<td></td>
</tr>
<tr>
<td>Interest</td>
<td>6,835</td>
<td>6,835</td>
<td>7,598</td>
<td></td>
</tr>
<tr>
<td><strong>Total operating expenses</strong></td>
<td>558,876</td>
<td>-</td>
<td>558,876</td>
<td></td>
</tr>
<tr>
<td><strong>Change in net assets from operating activities</strong></td>
<td>19,065</td>
<td>29,376</td>
<td>48,441</td>
<td></td>
</tr>
</tbody>
</table>

| **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 | - | - | (1,759) |
| Other components of net periodic pension cost | (1,344) | (1,344) | 776 |
| 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 | (86) |
| **Total nonoperating activities** | (7,619) | 13,602 | 5,983 |
| **Total change in net assets** | 11,446 | 42,976 | 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 Statement of Activities and Change in Net Assets for the Year Ended May 31, 2022  
(in thousands)  

<table>
<thead>
<tr>
<th>Without Donor Restrictions</th>
<th>With Donor Restrictions</th>
<th>Total</th>
<th>2021 Total</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>OPERATING REVENUES</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Student related revenue:</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Student tuition and fees, net</td>
<td>$336,480</td>
<td>$336,480</td>
<td>$332,039</td>
</tr>
<tr>
<td>Sales and services of auxiliary enterprises, net</td>
<td>86,675</td>
<td>86,675</td>
<td>70,128</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>423,155</td>
<td>423,155</td>
<td>402,167</td>
</tr>
<tr>
<td>Gifts 16,048</td>
<td>61,671</td>
<td>77,719</td>
<td>44,353</td>
</tr>
<tr>
<td>Government grants 10,342</td>
<td>10,342</td>
<td>9,827</td>
<td>2,234</td>
</tr>
<tr>
<td>Private grants 3,180</td>
<td>3,180</td>
<td>2,076</td>
<td></td>
</tr>
<tr>
<td>Endowment resources 16,722</td>
<td>21,428</td>
<td>38,150</td>
<td>35,527</td>
</tr>
<tr>
<td>Investment income 3,400</td>
<td>3,400</td>
<td>2,076</td>
<td></td>
</tr>
<tr>
<td>Other sources 38,887</td>
<td>994</td>
<td>39,881</td>
<td>20,095</td>
</tr>
<tr>
<td>Net assets released from restrictions 27,856</td>
<td>(27,856)</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td><strong>Total operating revenues</strong></td>
<td>539,590</td>
<td>56,237</td>
<td>595,827</td>
</tr>
<tr>
<td><strong>OPERATING EXPENSES</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Salaries and benefits 326,259</td>
<td>-</td>
<td>326,259</td>
<td>307,660</td>
</tr>
<tr>
<td>Other operating expenses 134,914</td>
<td>-</td>
<td>134,914</td>
<td>108,211</td>
</tr>
<tr>
<td>Depreciation 38,299</td>
<td>-</td>
<td>38,299</td>
<td>37,361</td>
</tr>
<tr>
<td>Interest 7,598</td>
<td>-</td>
<td>7,598</td>
<td>8,319</td>
</tr>
<tr>
<td><strong>Total operating expenses</strong></td>
<td>507,070</td>
<td>-</td>
<td>507,070</td>
</tr>
<tr>
<td><strong>Change in net assets from operating activities</strong></td>
<td>32,520</td>
<td>56,237</td>
<td>88,757</td>
</tr>
<tr>
<td><strong>NON-OPERATING</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Investment return, net of management fees 12,156</td>
<td>27,888</td>
<td>40,044</td>
<td>302,656</td>
</tr>
<tr>
<td>Endowment resources (16,722)</td>
<td>(21,428)</td>
<td>(38,150)</td>
<td>(35,527)</td>
</tr>
<tr>
<td>Rental property return, net (1,759)</td>
<td>(1,759)</td>
<td>1,658</td>
<td></td>
</tr>
<tr>
<td>Other components of net periodic pension cost 776</td>
<td>776</td>
<td>630</td>
<td></td>
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<tr>
<td>Endowment and other gifts 8</td>
<td>35,330</td>
<td>35,338</td>
<td>24,739</td>
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<tr>
<td>Capital gifts released from restriction 2,154</td>
<td>(2,154)</td>
<td>-</td>
<td></td>
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<tr>
<td>Adjustment for retirement plan obligations (86)</td>
<td>(86)</td>
<td>6,305</td>
<td></td>
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<tr>
<td><strong>Total nonoperating activities</strong></td>
<td>(3,473)</td>
<td>39,636</td>
<td>36,163</td>
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<tr>
<td><strong>Total change in net assets</strong></td>
<td>29,047</td>
<td>95,873</td>
<td>124,920</td>
</tr>
<tr>
<td><strong>Net assets</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Beginning of year 998,791</td>
<td>805,100</td>
<td>1,803,891</td>
<td>1,448,702</td>
</tr>
<tr>
<td>End of year $1,027,838</td>
<td>$900,973</td>
<td>$1,928,811</td>
<td>$1,803,891</td>
</tr>
</tbody>
</table>

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, 2023 and 2022
(in thousands)

<table>
<thead>
<tr>
<th></th>
<th>2023</th>
<th>2022</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>CASH FLOW FROM OPERATING ACTIVITIES</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Increase in net assets</td>
<td>$ 54,424</td>
<td>$ 124,920</td>
</tr>
<tr>
<td>Adjustments to reconcile change in net assets to net cash provided by operating activities:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Depreciation</td>
<td>40,185</td>
<td>38,299</td>
</tr>
<tr>
<td>Contributions restricted for long-term investment</td>
<td>(48,854)</td>
<td>(23,976)</td>
</tr>
<tr>
<td>Realized gains on sales of investments</td>
<td>(27,208)</td>
<td>(124,843)</td>
</tr>
<tr>
<td>Change in market value of investments</td>
<td>(2,980)</td>
<td>78,623</td>
</tr>
<tr>
<td>Pension and other postretirement benefit plan adjustments</td>
<td>(908)</td>
<td>(690)</td>
</tr>
<tr>
<td>Receipt of contributed securities</td>
<td>(12,307)</td>
<td>(10,856)</td>
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<tr>
<td>Amortization of operating lease assets</td>
<td>22</td>
<td>87</td>
</tr>
<tr>
<td>Amortization of debt (premium)/discount</td>
<td>(2,160)</td>
<td>(2,160)</td>
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<tr>
<td><strong>Changes in operating assets and liabilities:</strong></td>
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</tr>
<tr>
<td>Receivables, net</td>
<td>(17,454)</td>
<td>(20,943)</td>
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<tr>
<td>Accounts payable and accrued expenses</td>
<td>(11,280)</td>
<td>4,034</td>
</tr>
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<td>Other changes</td>
<td>(4,179)</td>
<td>(5,894)</td>
</tr>
<tr>
<td><strong>Net cash (used)/provided by operating activities</strong></td>
<td>(32,699)</td>
<td>56,601</td>
</tr>
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</table>

<table>
<thead>
<tr>
<th></th>
<th>2023</th>
<th>2022</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>CASH FLOW FROM INVESTING ACTIVITIES</strong></td>
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<td></td>
</tr>
<tr>
<td>Proceeds from sales of investments</td>
<td>594,782</td>
<td>789,394</td>
</tr>
<tr>
<td>Purchases of investments</td>
<td>(534,574)</td>
<td>(828,589)</td>
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<tr>
<td>Student loans receivable</td>
<td>863</td>
<td>757</td>
</tr>
<tr>
<td>Purchase of land, buildings and equipment</td>
<td>(104,586)</td>
<td>(43,503)</td>
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<tr>
<td>Decrease in assets whose use is limited</td>
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<td>2,056</td>
</tr>
<tr>
<td><strong>Net cash used by investing activities</strong></td>
<td>(43,504)</td>
<td>(79,885)</td>
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</table>

<table>
<thead>
<tr>
<th></th>
<th>2023</th>
<th>2022</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>CASH FLOW FROM FINANCING ACTIVITIES</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Contributions restricted for long-term investment</td>
<td>48,854</td>
<td>23,976</td>
</tr>
<tr>
<td>Repayment of debt principal</td>
<td>(15,430)</td>
<td>(15,548)</td>
</tr>
<tr>
<td>Government loan funds</td>
<td>(885)</td>
<td>(585)</td>
</tr>
<tr>
<td><strong>Net cash provided by financing activities</strong></td>
<td>32,539</td>
<td>7,843</td>
</tr>
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</table>

<table>
<thead>
<tr>
<th></th>
<th>2023</th>
<th>2022</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Net decrease in cash and cash equivalents</strong></td>
<td>(43,664)</td>
<td>(15,441)</td>
</tr>
<tr>
<td><strong>Cash and cash equivalents at beginning of year</strong></td>
<td>83,020</td>
<td>98,461</td>
</tr>
<tr>
<td><strong>Cash and cash equivalents at end of year</strong></td>
<td>$ 39,356</td>
<td>$ 83,020</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th></th>
<th>2023</th>
<th>2022</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>SUPPLEMENTAL DISCLOSURES</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Purchases of property, plant, and equipment in accounts payable</td>
<td>$ 18,523</td>
<td>$ 8,661</td>
</tr>
<tr>
<td>Cash paid for interest</td>
<td>9,048</td>
<td>9,822</td>
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<tr>
<td>Tax payments</td>
<td>1,080</td>
<td>2,068</td>
</tr>
</tbody>
</table>

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 94 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 10,400 students, of whom approximately 6,800 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. 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.
New Accounting Pronouncements Not Yet Adopted

In June 2016, the FASB issued ASU 2016-13, Financial Instruments-Credit Losses (Topic 326). This standard represents a significant change in the allowance for credit losses accounting model by requiring immediate recognition of management’s estimates of current expected credit losses. Under the current model, losses are recognized only as they are incurred, which the FASB has noted delayed recognition of expected losses that might not yet have met the threshold of being probable. The ASU is effective for fiscal years beginning after December 15, 2022 and early adoption is permitted. The University will adopt this accounting standard for the fiscal year ending May 31, 2024 and does not anticipate any impact to the consolidated financial statements as management believes there are no assets that will be impacted.

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 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 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 investments in its portfolio which are generally valued based on the most current NAV. These amounts represent fair value of these investments at May 31, 2023 and 2022.

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. Securities held in separate accounts are traded daily and are valued based on quoted market prices and categorized as Level 1. Securities held in daily traded mutual funds are generally valued based on quoted market prices in active markets obtained from exchange or dealer markets for identical assets and are accordingly categorized as Level 1 in the fair value hierarchy, with no valuation adjustments applied. Commingled funds and limited partnership interests are valued at NAV and are categorized as Investments at NAV in the fair value hierarchy.

Investments in hedge funds 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.
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 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 net realized and unrealized gains and losses.

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 as of May 31, 2023, based on the maturity of the underlying investments:

<table>
<thead>
<tr>
<th>Category</th>
<th>(in thousands)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash and cash equivalents</td>
<td>$ 39,356</td>
</tr>
<tr>
<td>Short-term investments</td>
<td>32,230</td>
</tr>
<tr>
<td>Long-term investments</td>
<td>109,567</td>
</tr>
<tr>
<td>Total</td>
<td>$ 181,153</td>
</tr>
</tbody>
</table>

The University’s pension assets consist of common collective trusts and cash. Investments in common collective trusts consist of equity securities and fixed income options traded in an active exchange market, as well as investments in mutual funds. The assets are valued at the net asset value of units held at year-end. When available, quoted market prices are used to value the underlying investments held by the collective trusts. For underlying investments consisting of fixed maturities, valuations are 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 is not available, internally developed valuations using one or more unobservable inputs or non-binding quotes are used to determine fair value. These investments in common collective trusts are categorized as Investments at NAV in the fair value hierarchy, while cash is 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 investments, and other investments. The investments of operating funds reflect 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

Accounts Receivable are primarily amounts related to student receivable balances, grant receivable balances, and other miscellaneous receivables. The receivables are shown net of allowances for doubtful accounts, which totaled $2,834,000 and $2,294,000 as of May 31, 2023 and 2022, 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 (10-55 years) and equipment (4-10 years).

Capitalized Software Costs

Capitalized software costs included in property, plant and 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.
Deferred Revenue and Prepaid Expenses

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:

<table>
<thead>
<tr>
<th></th>
<th>Balance at May 31, 2022</th>
<th>Refunds Issued</th>
<th>Revenue recognized in FY2023</th>
<th>Cash received in advance of performance</th>
<th>Balance at May 31, 2023</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tuition and Fees, net</td>
<td>$16,426,134</td>
<td>$</td>
<td>$16,426,134</td>
<td>$16,101,163</td>
<td>$16,101,163</td>
</tr>
<tr>
<td>Room and Board</td>
<td>460,341</td>
<td>-</td>
<td>460,341</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Athletic Revenue</td>
<td>7,560,129</td>
<td>-</td>
<td>2,179,647</td>
<td>1,128,294</td>
<td>6,508,776</td>
</tr>
<tr>
<td>Summer Events</td>
<td>304,858</td>
<td>-</td>
<td>304,858</td>
<td>633,193</td>
<td>633,193</td>
</tr>
<tr>
<td>Miscellaneous Revenue</td>
<td>1,797</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>1,797</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>$24,753,259</strong></td>
<td><strong>$</strong></td>
<td><strong>$19,370,980</strong></td>
<td><strong>$17,862,650</strong></td>
<td><strong>$23,244,929</strong></td>
</tr>
</tbody>
</table>

The balance of deferred revenue at May 31, 2023, 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.
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, 2023:

<table>
<thead>
<tr>
<th>Component</th>
<th>Amount (in thousands)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Undergraduate</td>
<td>$429,285</td>
</tr>
<tr>
<td>Graduate and other special programs</td>
<td>44,029</td>
</tr>
<tr>
<td>Law school</td>
<td>30,711</td>
</tr>
<tr>
<td>College of Professional Studies</td>
<td>7,554</td>
</tr>
<tr>
<td>Financial Aid</td>
<td>(162,161)</td>
</tr>
<tr>
<td><strong>Tuition and fees, net of financial aid</strong></td>
<td><strong>$349,418</strong></td>
</tr>
</tbody>
</table>

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.

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 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, gains and losses on extinguishment of debt (when applicable), and rental property revenue and expenses.

Student tuition and fees as well as sales and services of auxiliary enterprises are shown net of student financial aid. As of May 31, 2023 and 2022, student financial aid for tuition and fees totaled $162,161,000 and $153,982,000, respectively. Student financial aid related to auxiliary revenues totaled $6,299,000 and $5,900,000 as of May 31, 2023 and 2022, respectively.
NOTE 1 - SUMMARY OF NATURE OF OPERATIONS, SIGNIFICANT ACCOUNTING POLICIES AND REPORTING PRACTICES: (Continued)

Measure of Operations (Continued)

Expenses associated with the operation and maintenance of plant, depreciation and interest expenses have been allocated to the functional operating expense categories in Note 12.

Total Revenue and Gains Without Donor Restrictions equaled $570,322,000 and $536,117,000 as of May 31, 2023 and 2022, respectively.

Reclassification

Certain amounts from prior years have been reclassified to conform to the current year’s presentation.

NOTE 2 – LIQUIDITY AND AVAILABILITY

The following table reflects the University’s financial assets as of May 31, 2023 and May 31, 2022, 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 balance sheet date. 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 reserves that can only be used for specific capital projects, assets held for or by others, and annuity reserves.

<table>
<thead>
<tr>
<th>Financial assets</th>
<th>2023 (in thousands)</th>
<th>2022 (in thousands)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash and cash equivalents</td>
<td>$39,356</td>
<td>$83,020</td>
</tr>
<tr>
<td>Accounts receivable, less allowances</td>
<td>11,209</td>
<td>10,233</td>
</tr>
<tr>
<td>Other assets</td>
<td>11,753</td>
<td>8,494</td>
</tr>
<tr>
<td>Prepaid pension asset</td>
<td>1,160</td>
<td>771</td>
</tr>
<tr>
<td>Pledges receivable, net</td>
<td>94,849</td>
<td>78,371</td>
</tr>
<tr>
<td>Student loans receivable, net</td>
<td>4,509</td>
<td>5,397</td>
</tr>
<tr>
<td>Investments</td>
<td>1,341,352</td>
<td>1,359,040</td>
</tr>
<tr>
<td>Financial assets at May 31</td>
<td>$1,504,188</td>
<td>$1,545,326</td>
</tr>
</tbody>
</table>

Less those unavailable for general expenditure within one year:

<table>
<thead>
<tr>
<th>Financial assets</th>
<th>2023 (in thousands)</th>
<th>2022 (in thousands)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pledges receivable, net</td>
<td>94,849</td>
<td>78,371</td>
</tr>
<tr>
<td>Short-term investments</td>
<td>36</td>
<td>41</td>
</tr>
<tr>
<td>Accounts receivable beyond one year</td>
<td>1,612</td>
<td>1,322</td>
</tr>
<tr>
<td>Other assets</td>
<td>11,753</td>
<td>8,494</td>
</tr>
<tr>
<td>Prepaid pension asset</td>
<td>1,160</td>
<td>771</td>
</tr>
<tr>
<td>Student loans receivable</td>
<td>4,509</td>
<td>5,397</td>
</tr>
<tr>
<td>Endowment assets restricted by donors</td>
<td>735,001</td>
<td>714,387</td>
</tr>
<tr>
<td>Unrestricted endowment</td>
<td>459,915</td>
<td>451,139</td>
</tr>
<tr>
<td>Investments held for other purposes</td>
<td>4,603</td>
<td>5,258</td>
</tr>
<tr>
<td>Financial assets not available for expenditure within one year</td>
<td>$1,313,438</td>
<td>$1,265,180</td>
</tr>
</tbody>
</table>

Financial assets available to meet cash needs for general purposes within one year

<table>
<thead>
<tr>
<th>Financial assets available to meet cash needs for general purposes within one year</th>
<th>2023 (in thousands)</th>
<th>2022 (in thousands)</th>
</tr>
</thead>
<tbody>
<tr>
<td>$190,750</td>
<td>$280,146</td>
<td></td>
</tr>
</tbody>
</table>

As of May 31, 2023, the University has liquid assets on hand equal to 131 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.
NOTE 2 – LIQUIDITY AND AVAILABILITY: (Continued)

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 41 days of operating expenses. No funds were drawn from these lines during the year ended May 31, 2023.

NOTE 3 – DISCLOSURES ABOUT FAIR VALUE OF FINANCIAL INSTRUMENTS:

At May 31, 2023 and 2022, 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, 2023 and May 31, 2022, 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 Statements of Financial Position.

### As of May 31, 2023 (in thousands)

<table>
<thead>
<tr>
<th>Investments at NAV</th>
<th>Level 1</th>
<th>Level 2</th>
<th>Level 3</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash equivalents - endowment</td>
<td>$16,785</td>
<td>$16,785</td>
<td>$ -</td>
</tr>
<tr>
<td>Public equities</td>
<td>438,230</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Hedge funds</td>
<td>408,917</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Private Investments</td>
<td>327,244</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Split-interest agreements</td>
<td>4,134</td>
<td>4,134</td>
<td>-</td>
</tr>
<tr>
<td>Investments of operating funds</td>
<td>141,797</td>
<td>-</td>
<td>141,797</td>
</tr>
<tr>
<td>Other investments</td>
<td>4,245</td>
<td>4,245</td>
<td>-</td>
</tr>
<tr>
<td>Total</td>
<td>$1,341,352</td>
<td>$25,164</td>
<td>$141,797</td>
</tr>
</tbody>
</table>

### As of May 31, 2022 (in thousands)

<table>
<thead>
<tr>
<th>Investments at NAV</th>
<th>Level 1</th>
<th>Level 2</th>
<th>Level 3</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Cash equivalents - endowment</td>
<td>$59,535</td>
<td>$59,535</td>
<td>$ -</td>
</tr>
<tr>
<td>Public equities</td>
<td>373,238</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Hedge funds</td>
<td>391,685</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Private Investments</td>
<td>339,306</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Split-interest agreements</td>
<td>4,445</td>
<td>4,445</td>
<td>-</td>
</tr>
<tr>
<td>Investments of operating funds</td>
<td>188,215</td>
<td>-</td>
<td>188,215</td>
</tr>
<tr>
<td>Other investments</td>
<td>2,616</td>
<td>2,616</td>
<td>-</td>
</tr>
<tr>
<td>Total</td>
<td>$1,359,040</td>
<td>$66,596</td>
<td>$188,215</td>
</tr>
</tbody>
</table>

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:

<table>
<thead>
<tr>
<th>Liquidity</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Cash &amp; cash equivalents-endowment</td>
<td>Daily</td>
</tr>
<tr>
<td>Public equities</td>
<td>Varies</td>
</tr>
<tr>
<td>Hedge funds</td>
<td>Varies</td>
</tr>
<tr>
<td>Private Investments</td>
<td>Illiquid</td>
</tr>
<tr>
<td>Split-interest agreements</td>
<td>Daily</td>
</tr>
<tr>
<td>Investments of operating funds</td>
<td>Daily</td>
</tr>
<tr>
<td>Other investments</td>
<td>Daily</td>
</tr>
</tbody>
</table>

Required notice prior to redemption varies, generally between no required advance notice to 30 days’ notice. The remaining life of private investment partnerships varies by individual investment, with the longest anticipated remaining life being 12.6 years.

NOTE 4 - NET ASSETS:

<table>
<thead>
<tr>
<th>(in thousands)</th>
<th>2023</th>
<th>2022</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Without Donor Restrictions</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Undesignated</td>
<td>$ 44,098</td>
<td>$ 83,477</td>
</tr>
<tr>
<td>Invested in property, plant and equipment, net</td>
<td>535,271</td>
<td>493,222</td>
</tr>
<tr>
<td>Unrestricted endowment</td>
<td>459,915</td>
<td>451,139</td>
</tr>
<tr>
<td><strong>Total Without Donor Restrictions</strong></td>
<td>$ 1,039,284</td>
<td>$ 1,027,838</td>
</tr>
</tbody>
</table>

| **With Donor Restrictions** |        |        |
| Purpose restricted: |        |        |
| Unexpended contributions for instruction and scholarships | $ 88,847 | $ 73,561 |
| Unexpended contributions for capital expenditures | 85,809 | 77,022 |
| Time restricted for future periods: |        |        |
| Annuity and life income funds | 3,903 | 3,952 |
| Endowment – accumulated change in market value of investments and realized gains | 292,409 | 303,412 |
| **Total With Donor Restrictions** | 470,968 | 457,947 |

Restricted for time or purpose: | 471,089 | 441,133 |

Restricted in perpetuity: | 1,894 | 1,893 |

| Total Net Assets | $ 943,951 | $ 900,973 |
NOTE 4 - NET ASSETS: (Continued)

The University’s endowment consists of nearly 1,200 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.
NOTE 4 - NET ASSETS: (Continued)

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

<table>
<thead>
<tr>
<th></th>
<th>Without Donor Restrictions</th>
<th>With Donor Restrictions</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Amounts required to be maintained in perpetuity</td>
<td>$ -</td>
<td>$435,148</td>
<td>$435,148</td>
</tr>
<tr>
<td>Other invested principal</td>
<td>288,070</td>
<td>7,444</td>
<td>295,514</td>
</tr>
<tr>
<td>Accumulated investment gains</td>
<td>171,845</td>
<td>292,409</td>
<td>464,254</td>
</tr>
<tr>
<td>Total Funds</td>
<td>$459,915</td>
<td>$735,001</td>
<td>$1,194,916</td>
</tr>
</tbody>
</table>

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

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

At May 31, 2022, the endowment net asset composition by type of fund consisted of the following:

<table>
<thead>
<tr>
<th></th>
<th>Without Donor Restrictions</th>
<th>With Donor Restrictions</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Amounts required to be maintained in perpetuity</td>
<td>$ -</td>
<td>$408,754</td>
<td>$408,754</td>
</tr>
<tr>
<td>Other invested principal</td>
<td>268,610</td>
<td>2,221</td>
<td>270,831</td>
</tr>
<tr>
<td>Accumulated investment gains</td>
<td>182,529</td>
<td>303,412</td>
<td>485,941</td>
</tr>
<tr>
<td>Total Funds</td>
<td>$451,139</td>
<td>$714,387</td>
<td>$1,165,526</td>
</tr>
</tbody>
</table>

17
NOTE 4 - NET ASSETS: (Continued)

Changes in endowment net assets for the fiscal year ended May 31, 2022 consisted of the following:

<table>
<thead>
<tr>
<th>without Donor Restrictions (in thousands)</th>
<th>with Donor Restrictions (in thousands)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Endowment net assets, beginning of year</td>
<td>$440,767</td>
</tr>
<tr>
<td>Investment return:</td>
<td></td>
</tr>
<tr>
<td>Investment Income</td>
<td>$1,846</td>
</tr>
<tr>
<td>Management and Admin Fees</td>
<td>$(3,327)</td>
</tr>
<tr>
<td>Net appreciation (realized and unrealized)</td>
<td>$18,375</td>
</tr>
<tr>
<td>Total investment return, net</td>
<td>$16,894</td>
</tr>
<tr>
<td>Contributions</td>
<td>$25,864</td>
</tr>
<tr>
<td>Investment in Unrestricted Endowment</td>
<td>$10,200</td>
</tr>
<tr>
<td>Distribution for Spending</td>
<td>$(16,722)</td>
</tr>
<tr>
<td>Endowment net assets, end of year</td>
<td>$451,139</td>
</tr>
</tbody>
</table>

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, 2023 and 2022. Management has interpreted state law to permit prudent spending from underwater endowments.

NOTE 5 - INVESTMENTS:

Investment gains reported in the consolidated statements of activities for the year ended May 31 consisted of the following:

<table>
<thead>
<tr>
<th>(in thousands)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2023</td>
</tr>
<tr>
<td>Without Donor Restrictions</td>
</tr>
<tr>
<td>Interest, dividends, and other income</td>
</tr>
<tr>
<td>Net realized gains</td>
</tr>
<tr>
<td>Net change in unrealized gains and losses</td>
</tr>
<tr>
<td>Management fees and expenses</td>
</tr>
<tr>
<td>$6,774</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>(in thousands)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2022</td>
</tr>
<tr>
<td>Without Donor Restrictions</td>
</tr>
<tr>
<td>Interest, dividends, and other income</td>
</tr>
<tr>
<td>Net realized gains</td>
</tr>
<tr>
<td>Net change in unrealized gains and losses</td>
</tr>
<tr>
<td>Management fees and expenses</td>
</tr>
<tr>
<td>$12,156</td>
</tr>
</tbody>
</table>
NOTE 5 – INVESTMENTS: (Continued)

The University uses various external investment managers to diversify its investments. The largest allocations to any individual investment manager as of May 31, 2023 and 2022 were 7.4% and 9.9%, respectively.

At May 31, 2023, based on partnership agreements, the University was committed to invest an additional $230,651,000 in alternative investments, which is expected to occur over the next five to ten years. Alternative investments have liquidity restrictions. Amounts can be divested only at specified times based on the terms of the partnership agreements. Refer to Note 3 for additional information regarding redemption terms by asset class and type of investment. The financial statements of the limited partnerships are audited annually, generally as of December 31.

NOTE 6 - LAND, BUILDINGS, AND EQUIPMENT:

Land, buildings, and equipment at May 31, 2023 and 2022 consisted of the following:

<table>
<thead>
<tr>
<th></th>
<th>2023</th>
<th>2022</th>
</tr>
</thead>
<tbody>
<tr>
<td>Land and improvements</td>
<td>$87,081</td>
<td>$70,186</td>
</tr>
<tr>
<td>Buildings and improvements</td>
<td>1,048,014</td>
<td>1,015,388</td>
</tr>
<tr>
<td>Equipment</td>
<td>91,423</td>
<td>82,868</td>
</tr>
<tr>
<td>Construction in progress</td>
<td>94,316</td>
<td>42,888</td>
</tr>
<tr>
<td>Unamortized asset retirement costs</td>
<td>223</td>
<td>370</td>
</tr>
<tr>
<td></td>
<td>1,321,057</td>
<td>1,211,700</td>
</tr>
<tr>
<td>Less accumulated depreciation</td>
<td>(520,397)</td>
<td>(485,303)</td>
</tr>
<tr>
<td></td>
<td>$800,660</td>
<td>$726,397</td>
</tr>
</tbody>
</table>

NOTE 7 - ACCRUED EXPENSES:

Accrued expenses at May 31, 2023 and 2022 consisted of the following:

<table>
<thead>
<tr>
<th></th>
<th>2023</th>
<th>2022</th>
</tr>
</thead>
<tbody>
<tr>
<td>Faculty and Staff Salaries</td>
<td>$21,873</td>
<td>$18,629</td>
</tr>
<tr>
<td>Payroll Taxes</td>
<td>1,116</td>
<td>5,372</td>
</tr>
<tr>
<td>Interest on Long-Term Debt</td>
<td>2,331</td>
<td>2,532</td>
</tr>
<tr>
<td>Asset Retirement Obligations</td>
<td>2,263</td>
<td>2,359</td>
</tr>
<tr>
<td>Workers Compensation Claims</td>
<td>1,428</td>
<td>1,467</td>
</tr>
<tr>
<td>Vacation Accrual</td>
<td>2,185</td>
<td>1,967</td>
</tr>
<tr>
<td>Other</td>
<td>10,451</td>
<td>16,717</td>
</tr>
<tr>
<td></td>
<td>$41,647</td>
<td>$49,043</td>
</tr>
</tbody>
</table>

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, 2023 and 2022:

<table>
<thead>
<tr>
<th></th>
<th>2023 (in thousands)</th>
<th>2022 (in thousands)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Lease Expense</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Operating Leases</td>
<td>$1,396</td>
<td>$1,378</td>
</tr>
<tr>
<td>Short-Term Leases</td>
<td>611</td>
<td>265</td>
</tr>
<tr>
<td>Variable Leases</td>
<td>50</td>
<td>37</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>$2,057</td>
<td>$1,680</td>
</tr>
</tbody>
</table>

Other information related to Operating Leases:

<table>
<thead>
<tr>
<th></th>
<th>2023</th>
<th>2022</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operating cash flows</td>
<td>$1,329,000</td>
<td>$1,178,000</td>
</tr>
<tr>
<td>Right-of-use assets obtained in exchange for lease obligations</td>
<td>-</td>
<td>$988,000</td>
</tr>
<tr>
<td>Weighted-average remaining lease term (in years)</td>
<td>14.02</td>
<td>14.75</td>
</tr>
<tr>
<td>Weighted average discount rate</td>
<td>0.94%</td>
<td>0.94%</td>
</tr>
</tbody>
</table>

At May 31, 2023, maturities of lease liabilities were as follows:

<table>
<thead>
<tr>
<th></th>
<th>(in thousands)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2024</td>
<td>$1,315</td>
</tr>
<tr>
<td>2025</td>
<td>1,146</td>
</tr>
<tr>
<td>2026</td>
<td>1,159</td>
</tr>
<tr>
<td>2027</td>
<td>1,134</td>
</tr>
<tr>
<td>2028</td>
<td>958</td>
</tr>
<tr>
<td>Thereafter</td>
<td>10,164</td>
</tr>
<tr>
<td>Total</td>
<td>$15,876</td>
</tr>
</tbody>
</table>

Less: Present value discount

<table>
<thead>
<tr>
<th></th>
<th>(in thousands)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Present value discount</td>
<td>(1,025)</td>
</tr>
</tbody>
</table>

Total lease liabilities

<table>
<thead>
<tr>
<th></th>
<th>(in thousands)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total lease liabilities</td>
<td>$14,851</td>
</tr>
</tbody>
</table>
NOTE 9 - LONG-TERM DEBT:

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

<table>
<thead>
<tr>
<th>Bond Issuance</th>
<th>Year of Maturity</th>
<th>Interest Rate</th>
<th>Original Face Amount</th>
<th>Outstanding Principal</th>
<th>Unamortized Premium</th>
<th>Unamortized Issuance Costs</th>
</tr>
</thead>
<tbody>
<tr>
<td>Delaware County Authority Bonds (a):</td>
<td>2016</td>
<td>2031</td>
<td>4% - 5%</td>
<td>$45,480</td>
<td>$35,910</td>
<td>$6,084</td>
</tr>
<tr>
<td></td>
<td>2015</td>
<td>2045</td>
<td>3% - 5%</td>
<td>141,270</td>
<td>132,175</td>
<td>7,328</td>
</tr>
<tr>
<td></td>
<td>2014</td>
<td>2024</td>
<td>5%</td>
<td>52,205</td>
<td>19,830</td>
<td>1,647</td>
</tr>
<tr>
<td></td>
<td>2012</td>
<td>2022</td>
<td>5%</td>
<td>21,285</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td></td>
<td></td>
<td>$187,915</td>
<td>$15,059</td>
<td>(1,153)</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Bond Issuance</th>
<th>Year of Maturity</th>
<th>Interest Rate</th>
<th>Original Face Amount</th>
<th>Outstanding Principal</th>
<th>Unamortized Premium</th>
<th>Unamortized Issuance Costs</th>
</tr>
</thead>
<tbody>
<tr>
<td>Delaware County Authority Bonds (a):</td>
<td>2016</td>
<td>2031</td>
<td>4% - 5%</td>
<td>$45,480</td>
<td>$39,255</td>
<td>$6,760</td>
</tr>
<tr>
<td></td>
<td>2015</td>
<td>2045</td>
<td>3% - 5%</td>
<td>141,270</td>
<td>135,355</td>
<td>7,647</td>
</tr>
<tr>
<td></td>
<td>2014</td>
<td>2024</td>
<td>5%</td>
<td>52,205</td>
<td>25,885</td>
<td>2,470</td>
</tr>
<tr>
<td></td>
<td>2012</td>
<td>2022</td>
<td>5%</td>
<td>21,285</td>
<td>2,850</td>
<td>342</td>
</tr>
<tr>
<td>Total</td>
<td></td>
<td></td>
<td></td>
<td>$203,345</td>
<td>$17,219</td>
<td>(1,302)</td>
</tr>
</tbody>
</table>

All proceeds from the noted bond issuances were spent on capitalized assets. In addition, total plant-related debt amounted to $219,468,000 and $238,304,000 for the years ended May 31, 2023 and 2022, respectively.

(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 $18,604,000 through 2028, and $9,737,000 from 2029 to 2046. The University is required to maintain unrestricted net revenues equal to 100% of the annual debt service requirement.
NOTE 9 - LONG-TERM DEBT: (Continued)

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

<table>
<thead>
<tr>
<th>Year</th>
<th>(in thousands)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2024</td>
<td>$16,520</td>
</tr>
<tr>
<td>2025</td>
<td>17,340</td>
</tr>
<tr>
<td>2026</td>
<td>7,530</td>
</tr>
<tr>
<td>2027</td>
<td>7,860</td>
</tr>
<tr>
<td>2028</td>
<td>8,185</td>
</tr>
<tr>
<td>Thereafter</td>
<td>130,480</td>
</tr>
</tbody>
</table>

Interest paid on long-term debt amounted to $9,048,000 and $9,822,000 for the years ended May 31, 2023 and 2022, respectively. Interest expense allocated to the functional expense categories in Note 12 amounted to $6,835,000 and $7,598,000 for the years ended May 31, 2023 and 2022, 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, 2023 and 2022.

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 $18,589,000 and $17,268,000 for the years ended May 31, 2023 and 2022, respectively.

The University has 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 University will continue to fund the liabilities related to the benefits earned under the defined benefit pension plan prior to June 1, 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 plan was fully funded as of May 31, 2021, and benefit accruals were frozen on May 31, 2016. It is anticipated that the termination process and the transfer of plan liabilities will be completed by the end of calendar year 2023.

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:

<table>
<thead>
<tr>
<th>Change in Benefit Obligation</th>
<th>2023  (in thousands)</th>
<th>2022   (in thousands)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Benefit obligation at the beginning of the year</td>
<td>$51,958</td>
<td>$61,296</td>
</tr>
<tr>
<td>Interest cost on projected benefit obligations</td>
<td>2,055</td>
<td>1,109</td>
</tr>
<tr>
<td>Actuarial (gain)/loss</td>
<td>(3,335)</td>
<td>(6,517)</td>
</tr>
<tr>
<td>Benefits and administrative expenses paid</td>
<td>(4,429)</td>
<td>(3,930)</td>
</tr>
<tr>
<td>Benefit obligation at the end of the year</td>
<td>$46,249</td>
<td>$51,958</td>
</tr>
</tbody>
</table>

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

<table>
<thead>
<tr>
<th>Weighted average discount rate</th>
<th>2023</th>
<th>2022</th>
</tr>
</thead>
<tbody>
<tr>
<td>Expected long-term rate of return on assets</td>
<td>5.07%</td>
<td>4.13%</td>
</tr>
<tr>
<td>4.45%</td>
<td>3.20%</td>
<td></td>
</tr>
</tbody>
</table>

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:

<table>
<thead>
<tr>
<th>Change in Plan Assets</th>
<th>2023  (in thousands)</th>
<th>2022   (in thousands)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fair value of plan assets at beginning of year</td>
<td>$52,729</td>
<td>$62,485</td>
</tr>
<tr>
<td>Actual return on plan assets</td>
<td>(891)</td>
<td>(5,826)</td>
</tr>
<tr>
<td>Employer contributions</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Benefits and administrative expenses paid</td>
<td>(4,429)</td>
<td>(3,930)</td>
</tr>
<tr>
<td>Fair value of plan assets at end of year</td>
<td>$47,409</td>
<td>$52,729</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Funded Status</th>
<th>2023  (in thousands)</th>
<th>2022   (in thousands)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Actuarial present value of benefit obligations:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Projected benefit obligation</td>
<td>$46,249</td>
<td>$51,958</td>
</tr>
<tr>
<td>Plan assets at fair value</td>
<td>47,409</td>
<td>52,729</td>
</tr>
<tr>
<td>Funded Status</td>
<td>$1,160</td>
<td>$771</td>
</tr>
</tbody>
</table>

The University develops a target asset allocation for the pension assets with the assistance of an independent investment consultant. The asset values at May 31, 2023 and May 31, 2022 are shared with the University’s actuarial consultant, who utilizes a model to determine a range of reasonable expected rates of return based on the asset allocation and current capital market assumptions. The results are shared with the University and further discussed with the independent investment consultant and pension plan administrator. The expected rate of return is selected and is used in developing the net periodic benefit cost for the following fiscal year.

<table>
<thead>
<tr>
<th>Components of Net Periodic (Benefit) Cost</th>
<th>2023  (in thousands)</th>
<th>2022   (in thousands)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Interest cost on projected benefit obligation</td>
<td>$2,055</td>
<td>$1,109</td>
</tr>
<tr>
<td>Expected return on plan assets</td>
<td>(1,617)</td>
<td>(2,263)</td>
</tr>
<tr>
<td>Amortization of unrecognized net loss</td>
<td>1,075</td>
<td>674</td>
</tr>
<tr>
<td>Total net periodic (benefit) cost</td>
<td>$1,513</td>
<td>$(480)</td>
</tr>
</tbody>
</table>
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:

<table>
<thead>
<tr>
<th></th>
<th>2023</th>
<th>2022</th>
</tr>
</thead>
<tbody>
<tr>
<td>Weighted average discount rate</td>
<td>4.13%</td>
<td>2.69%</td>
</tr>
<tr>
<td>Expected long-term rate of return on assets</td>
<td>3.20%</td>
<td>3.75%</td>
</tr>
</tbody>
</table>

The expected benefit payments from the Plan in subsequent years are as follows:

<table>
<thead>
<tr>
<th>Year ending</th>
<th>(in thousands)</th>
</tr>
</thead>
<tbody>
<tr>
<td>May 31, 2024</td>
<td>$ 1,487</td>
</tr>
<tr>
<td>May 31, 2025</td>
<td>-</td>
</tr>
<tr>
<td>May 31, 2026</td>
<td>-</td>
</tr>
<tr>
<td>May 31, 2027</td>
<td>-</td>
</tr>
<tr>
<td>May 31, 2028</td>
<td>-</td>
</tr>
<tr>
<td>May 31, 2029 through May 31, 2032</td>
<td>-</td>
</tr>
</tbody>
</table>

1Based on ten months of expense assuming all liabilities are settled by March 31, 2024.

The University does not anticipate making an employer contribution during the fiscal year ending May 31, 2024.

Plan assets are allocated at May 31, 2023 and May 31, 2022 as follows:

<table>
<thead>
<tr>
<th></th>
<th>2023</th>
<th>2022</th>
</tr>
</thead>
<tbody>
<tr>
<td>Equity Securities</td>
<td>0%</td>
<td>0%</td>
</tr>
<tr>
<td>Debt Securities</td>
<td>64%</td>
<td>80%</td>
</tr>
<tr>
<td>Alternative Investments</td>
<td>0%</td>
<td>0%</td>
</tr>
<tr>
<td>Cash &amp; cash equivalents</td>
<td>36%</td>
<td>20%</td>
</tr>
<tr>
<td>Total</td>
<td>100%</td>
<td>100%</td>
</tr>
</tbody>
</table>

The plan assets are diversified among a mix of assets including international equities, fixed income, and cash. Asset mix is targeted to a specific allocation that is 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 is monitored monthly and rebalanced if asset classes exceed explicit ranges. The investment policy governs permitted types of investments. The Retirement Plans Investment Committee oversees the pension investment program and monitors investment performance, utilizing specific benchmarks and performance percentiles. Risk is closely monitored through the evaluation of portfolio holdings and tracking the portfolio performance.

The following tables present the Plan’s financial instruments carried at fair value on a recurring basis as of May 31, 2023 and May 31, 2022, respectively, and indicate the fair value hierarchy of the valuation techniques that were utilized to determine such fair value, as discussed in Note 1.

<table>
<thead>
<tr>
<th></th>
<th>Level 1</th>
<th>Level 2</th>
<th>Level 3</th>
<th>Investments at NAV</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Pension investment program:</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Equity securities</td>
<td>$</td>
<td>-</td>
<td>$</td>
<td>-</td>
<td>$ 51</td>
</tr>
<tr>
<td>Debt securities</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>30,186</td>
<td>30,186</td>
</tr>
<tr>
<td>Alternative investments</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>-</td>
</tr>
<tr>
<td>Cash &amp; cash equivalents</td>
<td>17,172</td>
<td>-</td>
<td>-</td>
<td>-</td>
<td>17,172</td>
</tr>
<tr>
<td><strong>Total at May 31, 2023</strong></td>
<td>$ 17,172</td>
<td>$</td>
<td>$</td>
<td>$ 30,237</td>
<td>$ 47,409</td>
</tr>
</tbody>
</table>

24
NOTE 10 - PENSION AND OTHER POSTRETIREMENT BENEFIT COSTS: (Continued)

<table>
<thead>
<tr>
<th>Investments at NAV</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Level 1</td>
<td>Level 2</td>
</tr>
<tr>
<td>Pension investment program:</td>
<td></td>
</tr>
<tr>
<td>Equity securities</td>
<td>-</td>
</tr>
<tr>
<td>Debt securities</td>
<td>-</td>
</tr>
<tr>
<td>Alternative investments</td>
<td>-</td>
</tr>
<tr>
<td>Cash &amp; cash equivalents</td>
<td>10,729</td>
</tr>
<tr>
<td>Total at May 31, 2022</td>
<td>$10,729</td>
</tr>
</tbody>
</table>

The components of medical postretirement benefits as of May 31, 2023 and 2022 are as follows:

<table>
<thead>
<tr>
<th>(in thousands)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2023</td>
</tr>
<tr>
<td>Projected benefit obligation</td>
</tr>
<tr>
<td>Fair value of plan assets</td>
</tr>
<tr>
<td>Unfunded status</td>
</tr>
<tr>
<td>Accrued post-retirement benefits</td>
</tr>
<tr>
<td>Weighted-average assumptions:</td>
</tr>
<tr>
<td>Discount rate</td>
</tr>
</tbody>
</table>

There is no healthcare cost trend rate associated with the liabilities, because the University provides a fixed subsidy for postretirement medical benefits. Benefit expense totaled $247,000 and $137,000 for the years ended May 31, 2023 and 2022, respectively. Benefits payments totaled $812,000 and $856,000 for the years ended May 31, 2023 and 2022, respectively.

The University allows faculty members that meet specific criteria for eligibility to elect to participate in an early retirement program. The accrued liability for future payments under this program amounted to $230,000 and $296,000 as of May 31, 2023 and 2022, respectively.

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.

<table>
<thead>
<tr>
<th>Salaries and benefits</th>
<th>Other Operating</th>
<th>Depreciation</th>
<th>Interest</th>
<th>Operations and Maintenance</th>
<th>Total Expenses</th>
</tr>
</thead>
<tbody>
<tr>
<td>Instruction</td>
<td>$157,561</td>
<td>$19,169</td>
<td>$9,182</td>
<td>$786</td>
<td>$13,308</td>
</tr>
<tr>
<td>Research</td>
<td>9,245</td>
<td>5,691</td>
<td>15</td>
<td>33</td>
<td>30</td>
</tr>
<tr>
<td>Academic Support</td>
<td>46,417</td>
<td>22,699</td>
<td>1,826</td>
<td>(10)</td>
<td>1,674</td>
</tr>
<tr>
<td>Student Services</td>
<td>41,270</td>
<td>31,925</td>
<td>6,840</td>
<td>16</td>
<td>8,610</td>
</tr>
<tr>
<td>Institutional Support</td>
<td>53,814</td>
<td>32,454</td>
<td>3,021</td>
<td>700</td>
<td>3,055</td>
</tr>
<tr>
<td>Auxiliary Enterprises</td>
<td>25,352</td>
<td>28,282</td>
<td>13,959</td>
<td>4,046</td>
<td>17,906</td>
</tr>
<tr>
<td>Operations and Maintenance</td>
<td>19,317</td>
<td>18,659</td>
<td>5,343</td>
<td>1,264</td>
<td>(44,583)</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>352,976</strong></td>
<td><strong>158,879</strong></td>
<td><strong>40,186</strong></td>
<td><strong>6,835</strong></td>
<td><strong>-</strong></td>
</tr>
</tbody>
</table>

25
NOTE 11 – EXPENSES BY BOTH NATURE AND FUNCTION: (Continued)

<table>
<thead>
<tr>
<th></th>
<th>Salaries and benefits</th>
<th>Other Operating</th>
<th>Depreciation</th>
<th>Interest</th>
<th>Operations and Maintenance</th>
<th>Total Expenses</th>
</tr>
</thead>
<tbody>
<tr>
<td>Instruction</td>
<td>$ 139,315</td>
<td>$ 13,031</td>
<td>$ 8,796</td>
<td>$ 1,126</td>
<td>$ 11,551</td>
<td>$ 173,819</td>
</tr>
<tr>
<td>Research</td>
<td>7,753</td>
<td>4,099</td>
<td>24</td>
<td>47</td>
<td>28</td>
<td>11,951</td>
</tr>
<tr>
<td>Academic Support</td>
<td>43,373</td>
<td>20,528</td>
<td>1,593</td>
<td>10</td>
<td>1,457</td>
<td>66,961</td>
</tr>
<tr>
<td>Student Services</td>
<td>44,415</td>
<td>31,019</td>
<td>6,626</td>
<td>24</td>
<td>8,088</td>
<td>90,172</td>
</tr>
<tr>
<td>Institutional Support</td>
<td>50,855</td>
<td>26,739</td>
<td>2,963</td>
<td>731</td>
<td>2,305</td>
<td>83,593</td>
</tr>
<tr>
<td>Auxiliary Enterprises</td>
<td>22,720</td>
<td>22,340</td>
<td>14,495</td>
<td>4,348</td>
<td>16,671</td>
<td>80,574</td>
</tr>
<tr>
<td>Operations and Maintenance</td>
<td>17,828</td>
<td>17,158</td>
<td>3,802</td>
<td>1,312</td>
<td>(40,100)</td>
<td>-</td>
</tr>
<tr>
<td></td>
<td>$ 326,259</td>
<td>$ 134,914</td>
<td>$ 38,299</td>
<td>$ 7,598</td>
<td>$</td>
<td>$ 507,070</td>
</tr>
</tbody>
</table>

Included in the above operating expenses are expenditures related to fund-raising activities for the year ended May 31, 2023 and 2022 of $17,882,000 and $16,298,000, 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 income for the year ended May 31, 2023, with regards to unrelated business income reported on IRS Form 990-T.

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 $230,651,000 and $201,634,000 as of May 31, 2023 and 2022, respectively.

Outstanding commitments related to construction contracts totaled $71,153,000 as of May 31, 2023.

The University has two unsecured lines of credit in the amounts of $40,000,000 and $20,000,000. No funds were drawn from these lines during the fiscal year.
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, 2023 and 2022 and the time periods in which they are expected to be realized are as follows:

<table>
<thead>
<tr>
<th>Time Period</th>
<th>2023</th>
<th>2022</th>
</tr>
</thead>
<tbody>
<tr>
<td>In one year or less</td>
<td>$51,932</td>
<td>$50,148</td>
</tr>
<tr>
<td>Between one year and five years</td>
<td>66,467</td>
<td>53,955</td>
</tr>
<tr>
<td>In more than five years</td>
<td>7,044</td>
<td>1</td>
</tr>
<tr>
<td>Less: Discount</td>
<td>(10,893)</td>
<td>(6,203)</td>
</tr>
<tr>
<td>Allowance for doubtful accounts</td>
<td>(19,701)</td>
<td>(19,530)</td>
</tr>
<tr>
<td></td>
<td>$94,849</td>
<td>$78,371</td>
</tr>
</tbody>
</table>

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.

NOTE 15 – SUBSEQUENT EVENTS:

In connection with the preparation of the consolidated financial statements, the University evaluated subsequent events after the balance sheet date of May 31, 2023 through its distribution date of October 11, 2023.

Villanova University is currently negotiating definitive asset purchase agreements with Cabrini University and the Missionary Sisters of the Sacred Heart (together with Cabrini University, “Cabrini”), pursuant to which Villanova will agree, subject to the terms and conditions therein, to purchase the campus and certain related assets of Cabrini. Completion of the asset purchase will remain subject to the receipt of certain regulatory approvals and each party’s satisfaction of certain closing conditions. It is anticipated that closing would occur on or about June 30, 2024.