

Assumption University

Financial Statements
May 31, 2024 and 2023

Assumption University

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May 31, 2024 and 2023

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Independent Auditor's Report

Board of Trustees
Assumption University

Opinion

We have audited the financial statements of Assumption University (the University), which comprise the statements of financial position as of May 31, 2024 and 2023, the related statements of activities and changes in net assets and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the University as of May 31, 2024 and 2023, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the University and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

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

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

RSM VS LLP

Boston, Massachusetts
September 30, 2024

Assumption University
Statements of Financial Position
May 31, 2024 and 2023

	2024	2023
Assets		
Cash	\$ 10,453,517	\$ 7,095,671
Short-term investments	8,219,489	8,827,719
Prepaid expenses and other assets	1,598,691	1,457,252
Student tuition receivables, net	1,151,368	968,595
Grants and other receivables	35,953	624,478
Student loans, net	369,058	219,526
Contributions receivable, net	2,283,005	2,579,402
Long-term investments	108,039,973	107,396,134
Beneficial interest in trust	1,896,507	1,679,713
Property, plant and equipment, net	104,546,692	106,588,557
Operating lease, right-of-use asset	694,916	389,062
Total assets	<u>\$ 239,289,169</u>	<u>\$ 237,826,109</u>
Liabilities and Net Assets		
Accounts payable and accrued liabilities	\$ 5,615,752	\$ 6,566,604
Student deposits and deferred revenue	4,989,759	5,502,573
Annuity obligations	435,168	513,027
Asset retirement obligation	299,041	281,450
Refundable government student loans	789,216	994,613
Debt, net	31,010,545	33,376,707
Operating lease liability	694,916	389,062
Total liabilities	<u>43,834,397</u>	<u>47,624,036</u>
Net assets		
Without donor restrictions	140,986,406	143,168,074
With donor restrictions	54,468,366	47,033,999
Total net assets	<u>195,454,772</u>	<u>190,202,073</u>
Total liabilities and net assets	<u>\$ 239,289,169</u>	<u>\$ 237,826,109</u>

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

Assumption University
Statement of Activities and Changes in Net Assets
Year Ended May 31, 2024

	Without Donor Restrictions	With Donor Restrictions	Total
Operating revenue and other support			
Tuition and fees, net of financial aid and scholarships of \$53,946,487	\$ 34,077,186	\$ -	\$ 34,077,186
Investment income:			
Operating assets	509,197	-	509,197
Nonoperating assets	10,889,327	1,174,262	12,063,589
Auxiliary enterprises	19,635,158	-	19,635,158
Annual gifts	675,502	1,504,244	2,179,746
Grants	4,559,503	-	4,559,503
Other income	3,100,039	732,424	3,832,463
Net assets released from restrictions	2,007,074	(2,007,074)	-
Total operating revenue and other support	<u>75,452,986</u>	<u>1,403,856</u>	<u>76,856,842</u>
Operating expenses			
Instruction	27,665,763	-	27,665,763
Academic support	6,977,484	-	6,977,484
Student services	15,365,393	-	15,365,393
Auxiliary enterprises	17,816,040	-	17,816,040
Institutional support	7,546,714	-	7,546,714
Total operating expenses	<u>75,371,394</u>	<u>-</u>	<u>75,371,394</u>
Increase in net assets from operations	<u>81,592</u>	<u>1,403,856</u>	<u>1,485,448</u>
Nonoperating revenue and expense			
Contributions	27,501	732,719	760,220
Investment return, net	8,583,249	6,126,059	14,709,308
Investment income utilized	(10,889,327)	(1,174,262)	(12,063,589)
Change in value of split interest agreements	(10,683)	155,201	144,518
Change in value of beneficial interest in trust	-	216,794	216,794
Net assets released from restrictions	26,000	(26,000)	-
(Decrease) increase in net assets from nonoperating activities	<u>(2,263,260)</u>	<u>6,030,511</u>	<u>3,767,251</u>
(Decrease) Increase in net assets	<u>(2,181,668)</u>	<u>7,434,367</u>	<u>5,252,699</u>
Net assets			
Beginning of year	143,168,074	47,033,999	190,202,073
End of year	<u>\$ 140,986,406</u>	<u>\$ 54,468,366</u>	<u>\$ 195,454,772</u>

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

Assumption University
Statement of Activities and Changes in Net Assets
Year Ended May 31, 2023

	Without Donor Restrictions	With Donor Restrictions	Total
Operating revenue and other support			
Tuition and fees, net of financial aid and scholarships of \$50,714,359	\$ 34,961,546	\$ -	\$ 34,961,546
Investment income:			
Operating assets	216,909	-	216,909
Nonoperating assets	7,113,454	1,396,769	8,510,223
Auxiliary enterprises	18,160,346	-	18,160,346
Annual gifts	1,107,905	25,090	1,132,995
Grants	4,163,861	-	4,163,861
Other income	4,053,525	-	4,053,525
Net assets released from restrictions	1,399,769	(1,399,769)	-
Total operating revenue and other support	<u>71,177,315</u>	<u>22,090</u>	<u>71,199,405</u>
Operating expenses			
Instruction	27,332,413	-	27,332,413
Academic support	6,556,584	-	6,556,584
Student services	14,002,540	-	14,002,540
Auxiliary enterprises	16,516,005	-	16,516,005
Institutional support	6,767,170	-	6,767,170
Total operating expenses	<u>71,174,712</u>	<u>-</u>	<u>71,174,712</u>
Increase in net assets from operations	<u>2,603</u>	<u>22,090</u>	<u>24,693</u>
Nonoperating revenue and expense			
Contributions	56,981	522,307	579,288
Investment (loss) return, net	(95,203)	146,271	51,068
Investment income utilized	(7,113,454)	(1,396,769)	(8,510,223)
Change in value of split interest agreements	(2,443)	(3,830)	(6,273)
Change in value of beneficial interest in trust	-	(38,908)	(38,908)
Other nonoperating expenses	(106,460)	-	(106,460)
Net assets reclassified to conform to change in donor's intent	(20,993)	20,993	-
Net assets released from restrictions	<u>2,042,754</u>	<u>(2,042,754)</u>	<u>-</u>
Decrease in net assets from nonoperating activities	<u>(5,238,818)</u>	<u>(2,792,690)</u>	<u>(8,031,508)</u>
Decrease in net assets	<u>(5,236,215)</u>	<u>(2,770,600)</u>	<u>(8,006,815)</u>
Net assets			
Beginning of year	<u>148,404,289</u>	<u>49,804,599</u>	<u>198,208,888</u>
End of year	<u>\$ 143,168,074</u>	<u>\$ 47,033,999</u>	<u>\$ 190,202,073</u>

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

Assumption University
Statements of Cash Flows
Years Ended May 31, 2024 and 2023

	2024	2023
Cash flows from operating activities		
Increase (decrease) in net assets	\$ 5,252,699	\$ (8,006,815)
Adjustments to reconcile change in net assets to net cash used in operating activities		
Depreciation	4,888,824	4,924,829
Amortization	18,838	18,837
Amortization of right-of-use asset	305,854	(389,062)
Contributions restricted for endowment	(706,718)	(496,307)
Realized and unrealized (gains) losses on investments	(12,083,723)	2,725,076
Recovery of doubtful contributions receivable	(14,745)	(45,000)
Recovery of uncollectible student tuition and loans receivable	(432,303)	(97,520)
Discount for contributions receivable	36,506	(19,710)
Accretion of asset retirement cost	17,591	16,555
Change in value of annuity obligations	(77,859)	(75,648)
Change in value of beneficial interest in trust	(216,794)	38,908
Changes in operating assets and liabilities		
Student tuition receivables	(219,975)	89,280
Grants and other receivables	588,525	(481,819)
Contributions receivable	274,636	1,731,082
Prepaid expenses and other assets	(141,439)	96,884
Accounts payable and accrued liabilities	(954,421)	(510,990)
Student deposits and deferred revenue	(512,814)	(330,196)
Refundable government student loans	(205,397)	(250,053)
Change in operating lease liability	(305,854)	389,062
Total adjustments	(9,741,268)	7,334,208
Net cash used in operating activities	(4,488,569)	(672,607)
Cash flows from investing activities		
Change in short-term investments	608,230	(8,827,719)
Purchases of long-term investments	(11,511,150)	(6,747,084)
Proceeds from maturities and sales of long-term investments	22,951,034	6,499,488
Purchases of property, plant and equipment	(2,843,390)	(5,737,888)
Payments on student loans	319,973	328,357
Net cash provided by (used in) investing activities	9,524,697	(14,484,846)
Cash flows from financing activities		
Contributions restricted for endowment	706,718	496,307
Payments on long-term debt	(2,385,000)	(2,305,000)
Net cash used in financing activities	(1,678,282)	(1,808,693)
Net increase (decrease) in cash	3,357,846	(16,966,146)
Cash		
Beginning of year	7,095,671	24,061,817
End of year	\$ 10,453,517	\$ 7,095,671
Supplemental disclosure of cash flow information		
Cash paid during the year for interest	\$ 638,063	\$ 682,522
Right-of-use asset obtained in exchange for new lease obligations	\$ 432,735	\$ 389,062
Operating cash outflows - payments on operating leases	\$ 168,250	\$ 53,963
Supplemental schedule of noncash investing activities		
Acquisition of property, plant and equipment included in accounts payable and accrued liabilities	\$ 66,146	\$ 62,577

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

Assumption University

Notes to Financial Statements

May 31, 2024 and 2023

1. Organization and Summary of Significant Accounting Policies

Background

Assumption College was founded in 1904 as a Catholic, nonprofit, coeducational college located in Worcester, Massachusetts on a 185-acre campus. In April 2019, Assumption College applied to the Massachusetts Board of Higher Education to become a university. The application was approved, and the institution became Assumption University (the "University") on June 10, 2020.

Approximately 2,000 undergraduate and graduate students attend the University annually. The University offers bachelor's degrees in the liberal arts core and pre-professional programs with a liberal arts core, and professional master's degrees on a full-time and part-time basis.

The University also operates an additional campus in Rome, Italy. The Rome campus is located on land owned by the Augustinians of the Assumption, the founding order of the University.

Basis of Financial Statement Presentation

The accompanying financial statements are presented on the accrual basis of accounting and have been prepared to focus on the University as a whole and to present balances and transactions according to the existence or absence of donor-imposed restrictions. Accordingly, net assets and changes are classified as follows:

Without Donor Restrictions - Net assets that are not subject to donor-imposed stipulations. Net assets without donor restrictions may be designated for specific purposes by action of the Board of Trustees (the "Board") or may otherwise be limited by contractual agreements with outside parties. The change in net assets without donor restrictions is primarily impacted by the results of operations, new capital purchases, net of depreciation and debt, unrestricted giving, and by the amount of net assets with donor restrictions that have been released from restrictions.

With Donor Restrictions - Net assets whose use by the University is subject to donor-imposed stipulations that can be fulfilled by actions of the University pursuant to those stipulations or that expire by the passage of time. These also include net assets subject to donor-imposed stipulations that they be maintained in perpetuity by the University, with investment return available for designated purposes. The change in net assets with donor restrictions is impacted primarily by gifts with time and donor constraints, such as restricted annual fund gifts, unconditional pledges and deferred giving instruments. Net assets with donor restrictions also include, under Massachusetts law, funds not yet appropriated by the Board, generally representing cumulative investment earnings and appreciation on endowment funds restricted in perpetuity.

Operations

The statements of activities and changes in net assets report the changes in net assets from operating and nonoperating activities. Operating revenues consist of those items attributable to the University's primary mission of providing education, including tuition (net of aid) and revenue for auxiliary enterprises, which includes student housing and dining services. Additionally, operating revenue includes contributions received related to annual fund support. The University allocates endowment income and appreciation based on the absence or existence of donor-imposed restrictions. Interest and dividends earned on the funds without donor restrictions are included as operating revenue. Operating revenue also includes appropriations from the endowment that are used to support operations.

Assumption University

Notes to Financial Statements

May 31, 2024 and 2023

The University reports expenses associated with the management of the University's operations, including activities associated with the plant, endowment, annuity and loan funds, as operating expenses within net assets without donor restrictions.

Net investment return (loss), nonoperating contributions, investment income utilized, other nonoperating expenses, and the change in value of split interest agreements and the beneficial interest in trust are included in nonoperating revenue and expenses.

All contributions are considered to be available for operations and reported as net assets without donor restrictions unless specifically restricted by the donor or have inherent time restrictions. Amounts received that are stipulated for use in future periods or restricted by the donor for specific purposes are reported as restricted support. When a qualifying expenditure occurs or a time restriction expires, net assets with donor restrictions are reclassified to net assets without donor restrictions as "net assets released from restrictions" in the statements of activities and changes in net assets. However, if a restriction is fulfilled in the same time period in which the contribution is received, the contribution is immediately reported as a contribution without donor restrictions.

Furthermore, net investment return (loss), which consists of dividends, investment fees, and realized and unrealized gains (losses) on investments, is reported as follows:

- Increases (decreases) in net assets with donor restrictions if the terms of the gift, or the University's interpretation of the relevant state law, impose restrictions on the use of the income or net gain (loss), or if the terms of the gift require the income or net gain (loss) to be added to the principal of an endowment fund restricted in perpetuity; and
- Increases (decreases) in net assets without donor restrictions in all other cases.

Use of Estimates

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

Estimates are primarily used in determining the valuation of investments, discounts and allowances for student tuition receivables, student loans receivable and contributions receivable, the estimated liabilities for annuity obligations, and the allocation of expenses.

Liquidity

In order to provide information about liquidity, assets are sequenced according to the timing of their conversion to cash and liabilities according to the nearness of their estimated maturity.

Cash

Most of the University's banking activity is maintained with several regional banks, and from time to time cash deposits exceed federal insurance limits. It is the University's policy to monitor these banks' financial strength on an ongoing basis. The University has not experienced any losses in these accounts.

Assumption University

Notes to Financial Statements

May 31, 2024 and 2023

Short-term Investments

Short-term investments have been reported in the financial statements at their fair value of \$8,219,489 and \$8,827,719 as of May 31, 2024 and 2023, respectively, and consisted of money market accounts.

Student Tuition Receivables and Student Loan Receivables

Student tuition receivables are stated at the net amount outstanding, less an allowance for credit losses. The estimate of the allowance for credit losses is established based on management's assessment as to collectability through a charge to bad debt expense for balances that have been deemed uncollectible. Tuition receivables are considered past due if not paid by the due date, or if any portion of the receivable balance is outstanding when the student graduates or withdraws from the University. The balance of tuition receivables outstanding as of the beginning of the year for the years ended May 31, 2024 and 2023 is \$968,595 and \$994,396, respectively.

Loans receivable primarily represent amounts due from students under the Federal Perkins Loan Program. Loans receivables are recorded net of allowance for credit losses of \$100,000 and \$569,505 for the years ended May 31, 2024 and 2023, respectively.

The University separates student accounts receivable and loans receivable into risk pools based on their aging. In determining the amount of the allowance as of the balance sheet date, the University develops a loss rate for each risk pool. This loss rate is based on management's historical collection experience, after also considering the impact of management's expectations about current and future economic conditions. At May 31, 2024, the University evaluated the impact of current and future economic conditions on its historical loss rates for each risk pool and in management's judgement concluded that any impact to loss rates would be immaterial to both student accounts receivable and loans receivable. Therefore, no loss rates of any risk pool were adjusted for current or future economic conditions.

Grant Receivables

Grant receivables include amounts due from Federal sponsors of externally funded research and other sponsored activities, primarily student financial aid. Grant receivables due from Federal agencies reimburse the University for expenses previously incurred. All grant receivables at May 31, 2024, are expected to be collected during the upcoming fiscal year. Grant receivables were approximately \$26,000 and \$413,000 for the years ended May 31, 2024 and 2023, respectively.

The University has Federal grants that span multiple years. Revenue recognition for remaining grant balances in future years is conditional upon satisfactory performance of each grant. These future conditional grant amounts totaled \$66,639 and \$99,166 as of May 31, 2024 and 2023, respectively.

Investments

The University's portfolio is managed by an outside investment manager who operates under the oversight of the Investment Committee of the Board (the "Investment Committee"). The Investment Committee has established and communicated to the manager the University's investment guidelines.

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Notes to Financial Statements

May 31, 2024 and 2023

All long-term investments have been reported in the financial statements at their fair value as of May 31, 2024 and 2023. The fair value of publicly traded mutual funds, fixed income and equity securities is based upon quoted market prices and exchange rates, if applicable. The alternative investments, which are not readily marketable, are carried at estimated fair values as provided by the investment managers. The University is permitted under GAAP to estimate the fair value of an investment at the measurement date using the reported net asset value (NAV) as a practical expedient of fair value without further adjustment unless the entity expects to sell the investment at a value other than NAV or if the NAV is not calculated in accordance with GAAP.

The net realized and unrealized appreciation (depreciation) in the fair value of such investments has been included in net investment return (loss) in the statements of activities and changes in net assets in the applicable net asset category.

The University performs additional procedures, including due diligence reviews on its investments in investment companies and other procedures with respect to the capital account or NAV provided by investment companies to ensure conformity with GAAP. The University has assessed factors including, but not limited to, the funds' financial statements being prepared consistent with the measurement principles of an investment company, price transparency and valuation procedures in place, the ability to redeem at NAV at the measurement date, and existence of certain redemption restrictions at the measurement date.

Beneficial Interest in Trust

The University is the remainder beneficiary of an irrevocable trust for which a bank serves as trustee. The University will receive the fair market value of the trust assets upon the death of other certain beneficiaries, at which time the funds will be used to establish an endowed scholarship in accordance with the donor's wishes. Due to the permanent nature of the trust, the University recognizes its interest in the estimated fair value of the trust as an asset on the statements of financial position and as a net asset with donor restrictions. Changes in the fair value of the trust assets are recorded in the net assets with donor restrictions category on the statements of activities and changes in net assets.

Property, Plant and Equipment

Property, plant and equipment are recorded at cost at the date of acquisition or, in the case of gifts, at estimated fair value at the date of the gift. The University depreciates its fixed assets using the straight-line depreciation method over the estimated useful lives of the related assets, as follows:

Land improvements	15-20 years
Buildings and improvements	25-50 years
Equipment and automobiles	3-20 years

Projects are accumulated in construction-in-progress until the project is complete and placed in service, at which time the cost is transferred to the appropriate asset account and depreciation begins.

Expenditures for repairs and maintenance are charged to expense as incurred; betterments are capitalized. For assets sold or otherwise disposed of, the cost and related accumulated depreciation are removed from the accounts, and any resulting gain or loss is reflected in the statement of activities and changes in net assets for the period.

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Notes to Financial Statements

May 31, 2024 and 2023

Fine arts consist of items that include sculptures and other works of art that were donated to or purchased by the University. These items are capitalized at cost, if the items were purchased, or at their fair value on the accession date, if the items were contributed. Gains or losses from deaccessions of these items are reflected on the statements of activities and changes in net assets as changes in the appropriate net asset classes, depending on the existence and type of donor-imposed restrictions. Collection items are depreciated over their estimated useful lives unless they have cultural, aesthetic, or historical value that is worth preserving perpetually, and the University is protecting and preserving essentially the undiminished service potential of the item. As of May 31, 2024 and 2023, the University has not recorded any depreciation on its sculptures or other works of art.

Impairment of Long-lived Assets

Long-lived assets, which consist primarily of property and equipment, are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of the asset may not be recoverable. When such events occur, the University compares the carrying amounts of the assets to the undiscounted expected future cash flows over the remaining life of the asset. If this comparison indicates that there may be impairment, the amount of impairment is calculated as the difference between the carrying value and fair value. During the fiscal years ended May 31, 2024 and 2023, no impairment indicators were identified.

Asset Retirement Obligations

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

Annuity Obligations

The University is a beneficiary of certain charitable remainder trusts and gift annuities for which the principal reverts to the University upon the death of the donors or other beneficiaries. The gifts are recorded at estimated fair value at the date of the receipt of such gifts and a liability is recognized equal to the estimated present value of the annuity payments. The liability is adjusted during the term of the obligation for actuarial value, accretion of discount rate, and other changes affecting the estimate of future obligations. The University is trustee for the annuity agreements and the assets are held in trust, generally as investments. These assets are recorded at fair value and are included in long-term investments in the accompanying statements of financial position.

Refundable Government Student Loans

Refundable government student loans represent funds held by the University under the Perkins revolving loan program that are provided by the U.S. Department of Education (DOE). The program expired on September 30, 2017, and the DOE has begun the wind-down of the Perkins loan program and will continue to collect the federal share of the Perkins funds over the upcoming fiscal years.

Bond Discount and Issuance Costs

Unamortized bond discount and issuance costs are being amortized on a straight-line basis (which approximates the calculation if the effective interest method was used) through the maturity dates of the bonds payable, and are presented in the statements of financial position as a direct reduction from debt.

Leases

The University determines if an arrangement is or contains a lease at inception, which is the date on which the terms of the contract are agreed to, and the agreement creates enforceable rights and obligations. A contract is or contains a lease when (i) explicitly or implicitly identified assets have been deployed in the contract and (ii) the customer obtains substantially all of the economic benefits from the use of that underlying asset and directs how and for what purpose the asset is used during the term of the contract. The University also considers whether its service arrangements include the right to control the use of an asset.

The University recognizes most leases on its balance sheets as a right-of-use (ROU) asset representing the right to use an underlying asset and a lease liability representing the obligation to make lease payments over the lease term, measured on a discounted basis. Leases are classified as either finance leases or operating leases based on certain criteria. Classification of the lease affects the pattern of expense recognition in the income statement.

The University made an accounting policy election available not to recognize ROU assets and lease liabilities for leases with a term of 12 months or less. For all other leases, ROU assets and lease liabilities are measured based on the present value of future lease payments over the lease term at the commencement date of the lease or June 1, 2022, for existing leases upon the adoption of ASC Topic 842, Leases. The ROU assets also include any initial direct costs incurred and lease payments made at or before the commencement date and are reduced by any lease incentives received. To determine the present value of lease payments, the University made an accounting policy election available to non-public companies to utilize a risk-free borrowing rate, which is aligned with the lease term at the lease commencement date, or the remaining term for leases existing upon the adoption of Topic 842.

Future lease payments may include fixed-rent escalation clauses or payments that depend on an index (such as the consumer price index), which is initially measured using the index or rate at lease commencement. Subsequent changes of an index and other periodic market-rate adjustments to base rent are recorded in variable lease expense in the period incurred. Residual value guarantees or payments for terminating the lease are included in the lease payments only when it is probable they will be incurred.

The University has made an accounting policy election to account for lease and nonlease components in its contracts as a single lease component for its real estate, vehicle and equipment asset classes. The nonlease components typically represent additional services transferred to the University, such as common area maintenance for real estate, which are variable in nature and recorded in variable lease expense in the period incurred.

Revenue Recognition

The University accounts for revenue recognition based on the guidance provided in Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC), *Revenue from Contracts with Customers (Topic 606)*. This guidance requires the University to (1) identify the contract with the customer, (2) identify the performance obligations in the contract, (3) determine the transaction price, (4) allocate the transaction price to the performance obligations in the contract, and (5) recognize revenue when each performance obligation is satisfied. Revenue is recognized when promised goods or services are transferred to the customer in an amount that reflects the consideration expected in exchange for those goods or services.

Assumption University

Notes to Financial Statements

May 31, 2024 and 2023

Tuition and Fee Revenue

Tuition and fee revenue is recorded at the University's established rates, net of institutional, state and federal financial aid administered directly by the University. Payments for tuition and fees are due prior to the start of the academic semester in accordance with the University's due dates. Payments received in advance of performance obligations being satisfied are categorized as student deposits and deferred revenue in the statements of financial position and then recorded over time as the performance obligation is satisfied. The performance obligation relating to tuition and fee revenue is the delivery of educational services. Students are typically entitled to a partial refund through a specific point in the academic term, after which no refunds are due upon withdrawal. Refunds issued reduce the amount of revenue recognized. Discounts provided to employees are considered part of fringe benefits within operating expenses and are recorded over time.

Auxiliary Enterprises

Revenue for auxiliary enterprises primarily consists of fees for student housing and dining services. Fees charged for auxiliary enterprises are priced to offset the cost of the services. The distinguishing characteristic of auxiliary enterprises is that they are managed as an essentially self-supporting activity. Payments for these services are due prior to the start of the academic semester in accordance with the University's due dates, and payments received in advance of performance obligations being satisfied are categorized as student deposits and deferred revenue in the statements of financial position. The performance obligation for auxiliary enterprises is the delivery of student housing and dining services and revenue is recognized over time as the performance obligation is satisfied.

Contributions

Contributions received, including unconditional promises to give, are initially recorded at fair value in the period the donor's commitments are received. Unconditional promises to give which are to be received in future periods are included in the financial statements as contributions receivable. Unconditional promises to give that are expected to be collected within one year are recorded at their net realizable value. Unconditional promises to give that are expected to be collected in future years are recorded at the present value of estimated future cash flows. The discounts on those amounts are computed using a rate commensurate with the risk involved. Amortization of the discount is included in contribution revenue. Contributions receivable are also recorded net of an allowance for doubtful accounts based on management's assessment as to collectability. Conditional promises to give, that is, those with a measurable performance or other barrier and a right of return, are not recognized until the conditions on which they depend are substantially met. The University has one conditional promise to give as of May 31, 2024, regarding the conveyance of real estate, as further described in note 10.

Bequests are recognized as revenue when the right to receive the bequest is unconditional and irrevocable, and the amount to be received is estimable. Such conditions generally occur after a will has cleared probate.

Grants

Individual grant arrangements have been evaluated and most have been determined to be nonreciprocal, meaning the granting entity has not received a direct benefit in exchange for the resources provided. Instead, revenue is recognized like a conditional contribution, i.e., when the barrier to entitlement is overcome. The barrier to entitlement is considered overcome when expenditures associated with each grant are determined to be allowable and all other significant conditions of the grant are met. Grants that have been determined to be reciprocal fall under the scope of Topic 606 and are recognized as the performance obligations are satisfied.

Assumption University

Notes to Financial Statements

May 31, 2024 and 2023

The University has elected the simultaneous release policy, which allows for a not-for-profit organization to recognize a restricted grant in net assets without donor restrictions if the restriction is met in the same period that the revenue is recognized.

Substantially all of the deferred revenue balance of \$4,961,614 as of May 31, 2022, was recognized as tuition and fee revenue or auxiliary revenue during the year ended May 31, 2023. Substantially all of the deferred revenue balance of \$4,776,610 as of May 31, 2023, was recognized as tuition and fee revenue or auxiliary revenue during the year ended May 31, 2024. Substantially all of the balance of deferred revenue of \$4,408,987 as of May 31, 2024, will be recognized during fiscal year 2025.

Income Taxes

The Internal Revenue Service has determined that the University qualifies as a tax-exempt, nonprofit organization under Section 501(c) (3) of the Internal Revenue Code. Accordingly, there is no provision for federal or state income taxes.

The University recognizes a tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by taxing authorities. Management evaluated the University's tax positions and concluded that the University has no material uncertainties in income taxes.

The University is no longer subject to income tax examinations by the U.S. federal, state, or local tax authorities for three years from the filing date.

The University will account for interest and penalties related to uncertain tax positions, if any, as part of tax expense.

Advertising

The University expenses advertising costs as incurred.

Recently Adopted Accounting Pronouncements

In June 2016, the FASB issued Accounting Standards Update (ASU) 2016-13, *Financial Instruments - Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*, which creates a new credit impairment standard for financial assets measured at amortized cost and available-for-sale debt securities. The ASU requires financial assets measured at amortized cost (including loans, trade receivables and held-to-maturity debt securities) to be presented at the net amount expected to be collected through an allowance for credit losses that are expected to occur over the remaining life of the asset, rather than incurred losses. The ASU requires that credit losses on available-for-sale debt securities be presented as an allowance rather than as a direct write-down. The measurement of credit losses for newly recognized financial assets (other than certain purchased assets) and subsequent changes in the allowance for credit losses are recorded in the statement of income as the amounts expected to be collected change. The University adopted the provisions of ASU 2016-13 as of June 1, 2023. The adoption of the ASU did not have a material effect on its financial statements.

Assumption University
Notes to Financial Statements
May 31, 2024 and 2023

2. Contributions Receivable

Contributions receivable consist of the following at May 31:

	2024	2023
Amounts due in:		
Less than one year	\$ 1,552,356	\$ 1,514,284
One to five years	922,729	1,235,437
More than five years	30,000	30,000
Total contributions receivable	2,505,085	2,779,721
Less:		
Discount to present value	(96,825)	(60,319)
Reserve for doubtful accounts	(125,255)	(140,000)
Contributions receivable, net	\$ 2,283,005	\$ 2,579,402

As of May 31, 2024, approximately 48% of total contributions receivable was from one donor, and as of May 31, 2023, approximately 80% of total contributions receivable were from three donors.

The discount rates used to calculate the discounted value of contributions receivable as of May 31, 2024 and 2023, ranged from 0.30% to 4.52%.

3. Long-term Investments

The University's long-term investments as of May 31 are as follows:

	2024	2023
Mutual funds:		
Domestic	\$ 33,436,992	\$ 33,773,552
International	19,864,617	22,581,940
Real estate	3,302,170	2,543,275
Fixed income	33,860,674	32,450,380
Equities - domestic	309,620	215,548
Limited partnerships	17,265,900	15,831,439
Total long-term investments	\$ 108,039,973	\$ 107,396,134

Assumption University
Notes to Financial Statements
May 31, 2024 and 2023

4. Property, Plant and Equipment

Property, plant and equipment as of May 31 are as follows:

	2024	2023
Land	\$ 2,250,548	\$ 2,250,548
Land improvements	16,427,511	15,480,832
Buildings and improvements	151,839,824	149,862,748
Fine arts	1,207,696	1,207,696
Equipment	22,745,088	22,040,709
Property, plant and equipment, gross	194,470,667	190,842,533
Less: Accumulated depreciation	(90,238,656)	(85,889,176)
	104,232,011	104,953,357
Construction-in-progress	314,681	1,635,200
Property, plant and equipment, net	\$ 104,546,692	\$ 106,588,557

Depreciation expense for the years ended May 31, 2024 and 2023, amounted to \$4,888,824 and \$4,924,829, respectively.

As of May 31, 2024, the University has approximately \$1.4 million of additional spending required in order to complete the projects included in construction-in-progress. The University incurred additional expenditures of approximately \$1.1 million to complete the projects included in construction-in-progress at May 31, 2023 that were placed in service during the year ended May 31, 2024.

5. Leases

The University leases real estate, including other locations, under operating lease agreements that have initial terms ranging from 5 to 9 years. Some leases include one or more options to renew, generally at the University's sole discretion, with renewal terms that can extend the lease term up to 3 years. In addition, certain leases contain termination options, where the rights to terminate are held by either the University, the lessor, or both parties. These options to extend or terminate a lease are included in the lease terms when it is reasonably certain that the University will exercise that option. For individual lease contracts that do not provide information about the discount rate, the University has elected to use a risk-free discount rate determined using a period comparable with that of the lease term for computing the present value of the lease liability. Lease expense for operating lease payments is recognized on a straight-line basis over the lease term. The University does not have any finance leases.

The University has an operating lease agreement for a building at its satellite campus in Rome, Italy. The lease commenced on February 15, 2013, and expires on May 31, 2033. The University also has an operating lease agreement for an ice rink facility for the Women's Ice Hockey program. The term of the lease is five years starting with the 2023/2024 season. Both leases are accounted for as operating leases under ASC Topic 842. The statement of financial position includes an operating lease ROU asset and a corresponding operating lease liability of \$694,916 and \$389,062 for the years ended May 31, 2024 and 2023, respectively, which represents the present value of the lease payments over the remaining lease terms.

Assumption University

Notes to Financial Statements

May 31, 2024 and 2023

Future undiscounted cash flows for each of the next five years and thereafter and a reconciliation to the operating lease liability recognized on the statement of financial position as of May 31, 2024 is as follows:

Year Ended May 31,	
2025	\$ 143,963
2026	143,963
2027	143,963
2028	143,963
2029	53,963
Thereafter	161,889
Total lease payments	<u>791,704</u>
Less imputed interest	<u>(96,788)</u>
Total present value of lease liability	<u>\$ 694,916</u>

Rent expense related to these leases was approximately \$168,250 and \$54,000 for the years ended May 31, 2024 and 2023, respectively.

The weighted average remaining lease term and weighted average discount rate for all University operating leases as of May 31, 2024 are shown below:

	<u>2024</u>	<u>2023</u>
Weighted-average remaining lease term:		
Operating leases (years)	5.5	9.0
Weighted-average discount rate:		
Operating leases	5.0%	6.0%

6. Debt, net

Series 2013 Bonds

In June 2013, the University borrowed \$9,720,000 of Massachusetts Development Finance Agency (MDFA) Revenue Bonds, Assumption College Issue, Series 2013 (the "Series 2013 Bonds"). Proceeds were used to refinance the balance of MDFA Revenue Bonds, Assumption College Issue, Series 2000A debt outstanding. The Series 2013 Bonds bear interest at various fixed rates ranging from 2.0% to 4.0% per year, and mature on March 1, 2030. The total amount outstanding as of May 31, 2024 and 2023 was \$3,960,000 and \$4,545,000, respectively.

Assumption University

Notes to Financial Statements

May 31, 2024 and 2023

Series 2016 Bonds

In September 2016, the University borrowed an aggregate of \$32,000,000 of MDFA Revenue Bonds, Assumption College Issue, Series 2016 (the "Series 2016 Bonds") in two series, consisting of \$15,000,000 Series 2016A Bonds and \$17,000,000 Series 2016B Bonds. The proceeds from the Series 2016A Bonds were used to fund the construction of a new academic building, while the proceeds from the Series 2016B Bonds were used to redeem a portion of the MDFA Revenue Bonds, Assumption College Issue, Series 2012 debt outstanding and to pay the bond issuance costs. The Series 2016A Bonds bear interest at a fixed rate of 1.69% and mature on March 1, 2046. The Series 2016B Bonds bear interest at a fixed rate of 1.60% and mature on March 1, 2032. Debt covenants include the maintenance of a debt service coverage ratio and a liquidity ratio. The University was in compliance with the debt covenants as of May 31, 2024. The total amount of Series 2016A Bonds outstanding as of May 31, 2024 and 2023 was \$13,100,000 and \$13,425,000, respectively. The total amount of Series 2016B Bonds outstanding as of May 31, 2024 and 2023 was \$14,095,000 and \$15,570,000, respectively.

Aggregate principal payments due in each of the next five years ending May 31 and thereafter on the Series 2013 Bonds and the Series 2016 Bonds are as follows:

2025	\$ 2,480,000
2026	2,580,000
2027	2,685,000
2028	2,780,000
2029	2,885,000
Thereafter	<u>17,745,000</u>
	31,155,000
Less:	
Unamortized bond issuance costs	(124,002)
Unamortized bond discount	<u>(20,453)</u>
Total long-term debt	<u>\$ 31,010,545</u>

Principal payments are made annually and on various dates throughout the year, in accordance with the respective bond agreements which include provisions for prepayments. The bonds are secured by the University's general obligation pledge.

Total interest expense incurred on indebtedness was \$629,291 and \$682,522 in 2024 and 2023, respectively.

Assumption University
Notes to Financial Statements
May 31, 2024 and 2023

7. Planned Giving

Planned giving net assets consisted of the following as of May 31:

	2024	2023
Planned giving assets:		
Charitable remainder unitrust	\$ 851,241	\$ 752,185
Charitable remainder annuity trusts	554,746	554,580
Charitable gift annuities	150,626	166,450
Total planned giving assets	<u>1,556,613</u>	<u>1,473,215</u>
Planned giving liabilities:		
Amounts due to beneficiaries	(435,168)	(513,027)
Total planned giving assets, net	<u>\$ 1,121,445</u>	<u>\$ 960,188</u>

Planned giving assets are included in long-term investments and planned giving liabilities are presented as annuity obligations in the accompanying statements of financial position. Planned giving assets represent a combination of amounts both with and without donor restrictions. Amounts due to beneficiaries are calculated based on the present value of the estimated future payments to be made to the beneficiaries. The University calculates the present value of these payments using discount rates and mortality tables. The liability is adjusted annually for changes in the value of assets, accretion of the discount, and other changes in the estimates of future benefits. Discount rates ranged from 0.83% to 5.8% at May 31, 2024 and 2023.

8. Student Tuition and Loans Receivable

Student tuition receivables consisted of the following as of May 31:

	2024	2023
Student tuition receivables	\$ 1,310,093	\$ 1,090,118
Allowance for credit losses	(158,725)	(121,523)
Student tuition receivables, net	<u>\$ 1,151,368</u>	<u>\$ 968,595</u>

The University makes uncollateralized loans to students based on financial need. Student loans are funded primarily through Federal government loan programs.

At May 31, student loans consisted of the following:

	2024	2023
Federal government program	\$ 417,723	\$ 731,596
Institutional loans	40,772	44,947
Other loans	10,563	12,488
Total student loans	<u>469,058</u>	<u>789,031</u>
Allowance for credit losses	(100,000)	(569,505)
Student loans receivable, net	<u>\$ 369,058</u>	<u>\$ 219,526</u>

Assumption University

Notes to Financial Statements

May 31, 2024 and 2023

The University participates in the Perkins federal revolving loan program. The program expired on September 30, 2017, and the University did not disburse Perkins loans to any new student on or after October 1, 2017, except for subsequent disbursements of loans first disbursed between June 30, 2017 and September 30, 2017. The Federal government has begun the wind-down of the Perkins loan program and will continue to collect the federal share of the Perkins funds over the upcoming fiscal years. The University, accordingly, has a liability to the Federal government at May 31, 2024 and 2023, in the amount of \$789,216 and \$994,613, respectively.

At May 31, the following amounts were past due under student loan programs:

	2024	2023
1-60 Days past due	\$ 10,859	\$ 64,659
61-90 Days past due	16,772	7,942
91-120 Days past due	13,613	22,875
121+ Days past due	42,210	190,020
Total past due	<u>\$ 83,454</u>	<u>\$ 285,496</u>

Performing loans are those which are less than or equal to 120 days past due. Nonperforming loans are those which are greater than 120 days past due. Allowances for credit losses are established based on prior collection experience and current economic factors which, in management's judgment, could influence the ability of loan recipients to repay the amounts per the loan terms. These allowances are based on historical loan defaults and write-offs. Loan balances are written off only when they are deemed to be permanently uncollectible, which generally results in their being assigned to the Federal government.

9. Retirement Plan

Most of the University's full-time faculty and administrative staff are eligible to participate in the defined contribution plan sponsored by the University. The University contributes to this plan for the benefit of participating employees. Contributions to the retirement plans amounted to \$1,860,883 and \$1,739,288 in 2024 and 2023, respectively.

10. Related Party Transactions

The Augustinians of the Assumption (the "Order") is the founding order of the University. In 1972, with the support of the Order, the University's Board elected its first lay president. Since that time, all of the University's presidents have been lay presidents; however, the Assumptionist presence remains an important, if not essential, part of the University's educational endeavors. To encourage the continued presence of the Assumptionists on campus as professors, administrators and clergy, the University provides financial support to the Order. During the years ended May 31, 2024 and 2023, payments totaling \$465,826 and \$508,475, respectively, were made to the Order. In 2013, the University opened an additional campus in Rome, Italy. The Rome campus is located on land owned by the Order. Lease-related payments for the Rome campus during the years ended May 31, 2024 and 2023, totaling approximately \$55,000 and \$54,000, respectively, were made to the Order.

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May 31, 2024 and 2023

In March 2022, the University entered into an agreement with the Order whereby the Order would convey to the University real estate that the Order owns adjacent to the University's Worcester campus. In exchange, the University agrees to complete renovations and expansion on campus to accommodate the residential needs of the active and retired Assumptionists in the community. The cost of the renovations is expected to approximate the value of the real estate, which had a market value of \$1.7 million at the time of the agreement. Through May 31, 2024, the University incurred approximately \$1.7 million of expenditures related to the project and it was completed in August 2023. Work on the project is ongoing during fiscal 2025 to remediate certain environmental conditions and the conveyance of the real estate to the University was not finalized as of May 31, 2024.

In January 2023, the University engaged the firm of Viv Education LLC to develop a marketing strategy and implementation plan. Due to a position vacancy at the University, in May 2023, the University modified its agreement with Viv Education to provide additional services for a temporary outsourced individual to serve as the University's Fractional Chief Marketing Officer (CMO).

The Co-founder and Chief Executive Officer (the individual) at Viv Education was the same individual named on behalf of Viv Education to provide Fractional CMO services at the University. This individual served as Fractional CMO at the University from May 17, 2023 until August 31, 2023, in an outsourced capacity. During the years ended May 31, 2024 and 2023, the University incurred expenses of \$28,800 and \$9,600, respectively, related to Viv Education providing Fractional CMO services. Viv Education provided other marketing services to the University at a cost of \$408,460 and \$45,440 for the years ending May 31, 2024 and 2023, respectively.

On September 1, 2023, the individual was hired as a permanent full-time employee at the University with the title of Fractional Chief Marketing Officer. The individual subsequently resigned from her position with the University and her last day of employment was May 31, 2024.

The University is a Trustee for various Charitable Remainder Trust agreements, see Note 7.

The University sponsors a defined contribution plan, see Note 9.

During the years ended May 31, 2024 and 2023, the University received contributions reported as revenue from members of the Board of Trustees in the amount of \$255,250 and \$181,957. Pledges received from Trustees of \$1,313,544 and \$1,557,251 were outstanding and included in Contributions receivable as of May 31, 2024 and 2023, respectively.

11. Fair Value Measurements

The University records its investments, including alternative investments, at fair value. Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date.

The University reviews and evaluates values provided by the investment managers and assesses the valuation methods and assumptions used in determining their fair value. Those estimated fair values may differ significantly from the values that would have been used had a ready market for these investments existed and the differences could be material. The University has the ability to liquidate its investments periodically in accordance with the provisions of the respective fund managers.

Assumption University

Notes to Financial Statements

May 31, 2024 and 2023

There is a hierarchy of valuation inputs for assets and liabilities based on the extent to which the inputs are observable in the marketplace.

The following describes the hierarchy of inputs used to measure fair value and the primary valuation methodologies used by the University for financial instruments measured at fair value on a recurring basis.

The three levels of inputs are as follows:

- Level 1 Observable inputs such as quoted prices in active markets.
- Level 2 Inputs other than the quoted prices in active markets, that are observable either directly or indirectly.
- Level 3 Unobservable inputs that are supported by little or no market data, which require the reporting entity to develop its own assumptions. Level 3 also includes beneficial interests in trusts managed by third party trustees.

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 following tables present the financial instruments carried at fair value as of May 31:

	2024				
	Level 1	Level 2	Level 3	Investments Measured at NAV (a)	Total
Assets at fair value:					
Short-term investments:					
Government money market funds	\$ 8,219,489	\$ -	\$ -	\$ -	\$ 8,219,489
Total short-term investments	8,219,489	-	-	-	8,219,489
Long-term investments					
Mutual funds:					
Domestic	\$ 33,436,992	\$ -	\$ -	\$ -	\$ 33,436,992
International	19,864,617	-	-	-	19,864,617
Real estate	3,302,170	-	-	-	3,302,170
Fixed income	17,390,737	-	-	16,469,937	33,860,674
Equities - domestic	309,620	-	-	-	309,620
Limited partnerships	-	-	-	17,265,900	17,265,900
Total long-term investments	74,304,136	-	-	33,735,837	108,039,973
Beneficial interest in trust	-	-	1,896,507	-	1,896,507
Total long-term investments and trust	74,304,136	-	1,896,507	33,735,837	109,936,480
Total assets at fair value	\$ 82,523,625	\$ -	\$ 1,896,507	\$ 33,735,837	\$ 118,155,969
Liabilities at fair value:					
Annuity obligations	\$ -	\$ 435,168	\$ -	\$ -	\$ 435,168

Assumption University
Notes to Financial Statements
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	2023			Investments Measured at NAV (a)	Total
	Level 1	Level 2	Level 3		
Assets at fair value:					
Short-term investments:					
Government money market funds	\$ 8,827,719	\$ -	\$ -	\$ -	\$ 8,827,719
Total short-term investments	8,827,719	-	-	-	8,827,719
Long-term investments:					
Mutual funds:					
Domestic	\$ 33,773,552	\$ -	\$ -	\$ -	\$ 33,773,552
International	22,581,940	-	-	-	22,581,940
Real estate	2,543,275	-	-	-	2,543,275
Fixed income	21,751,970	-	-	10,698,410	32,450,380
Equities - domestic	215,548	-	-	-	215,548
Limited partnerships	-	-	-	15,831,439	15,831,439
Total long-term investments	80,866,285	-	-	26,529,849	107,396,134
Beneficial interest in trust	-	-	1,679,713	-	1,679,713
Total long-term investments and trust	80,866,285	-	1,679,713	26,529,849	109,075,847
Total assets at fair value	\$ 89,694,004	\$ -	\$ 1,679,713	\$ 26,529,849	\$ 117,903,566
Liabilities at fair value:					
Annuity obligations	\$ -	\$ 513,027	\$ -	\$ -	\$ 513,027

(a) Certain investments that are measured at fair value using the NAV per share (or its equivalent) practical expedient have not been classified within the fair value hierarchy. The fair value amounts presented in the above table are reported for the purpose of reconciling the fair value hierarchy to the investment amounts presented in the statements of financial position.

The following table presents quantitative information about Level 3 fair value measurements as of May 31:

	2024 Fair Value	2023 Fair Value	Valuation Technique	Unobservable Inputs	Range of Inputs
Beneficial interest in trust	\$ 1,896,507	\$ 1,679,713	Market approach based on underlying securities	None	Not applicable

The assets held in trust are managed by an independent third party trustee, and the University has no authority over investment decisions. Thus, the trust assets are classified as Level 3 within the fair value hierarchy levels.

Assumption University

Notes to Financial Statements

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There were no transfers between fair value hierarchy levels during the years ended May 31, 2024 and 2023.

The redemption terms for those investments valued at NAV consisted of the following as of May 31:

2024				
Asset Class	Fair Value	Number of Funds	Redemption Terms	Redemption Notice Period
Fixed income (a)	\$ 16,469,937	1	daily	2 days
Limited partnerships (b)	17,265,900	4	monthly, quarterly, 5 years	1 day
	<u>\$ 33,735,837</u>			
2023				
Asset Class	Fair Value	Number of Funds	Redemption Terms	Redemption Notice Period
Fixed income (a)	\$ 10,698,410	1	daily	2 days
Limited partnerships (b)	15,831,439	4	monthly, quarterly, 5 years	1 day
	<u>\$ 26,529,849</u>			

(a) Earn long-term capital from a broadly diversified portfolio of U.S. centric fixed income holdings, while keeping capital preservation in mind

(b) Identify quality companies with potential for above-average rates of profitability that sell at a discount relative to their underlying value

In January 2014, the University entered into a limited partnership with a commitment to invest \$4,500,000. The University had unfunded commitments of \$578,250 to this limited partnership at May 31, 2024 and 2023. In January 2016, the University entered into a second limited partnership with a commitment to invest \$1,282,139. The University had unfunded commitments of \$171,499 and \$208,297 to this limited partnership at May 31, 2024 and 2023, respectively.

The methods used to measure fair value may produce a fair value calculation that may not be indicative of net realized 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.

12. Endowment Disclosures

The University endowment funds consist of approximately 220 individual accounts established for a variety of purposes. The endowment consists of donor-restricted endowment funds and funds designated by the Board to function as endowments. Net assets associated with endowment funds, including funds designated by the Board to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions.

Assumption University

Notes to Financial Statements

May 31, 2024 and 2023

Massachusetts adopted a version of the Uniform Prudent Management of Institutional Funds Act (UPMIFA). UPMIFA is a model act that provides rules of construction concerning the investment, use and modification of funds held by operating charitable organizations, including endowment funds. ASC 958 provides guidance on the net asset classification of donor-restricted endowment funds for a not-for-profit organization that is subject to UPMIFA and also requires additional disclosures about an organization's endowment funds related to net asset classifications, net asset composition, changes in net asset composition, and spending and investment policies.

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

From time to time, the fair value of assets associated with individual donor-restricted endowment funds may fall below the level that the donor or UPMIFA requires the University to retain as a fund of perpetual duration. At May 31, 2024 and 2023, there were no material underwater funds of this nature. Although UPMIFA authorizes the expenditure of underwater endowments where such expenditure is prudent, the University has adopted a policy to not spend from underwater endowments.

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

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

Investment Objective

The endowment's assets shall be invested in accordance with sound investment practices that emphasize long-term investment fundamentals. In establishing the investment objectives of the endowment, the Investment Committee has taken into account the financial needs and circumstances of the University and the endowment, the time horizon available for investment, the nature of the endowment's cash flows and liabilities, and other factors that affect their risk tolerance. Consistent with this, the Investment Committee has determined that the investment of these assets shall be guided by the following underlying goals:

- To preserve the spending power of the endowment;
- To maintain sufficient liquidity to meet the obligations of the endowment;
- To diversify the assets of the endowment in order to reduce the risk;
- To achieve investment results over the long term that compare favorably with those of other endowments, professionally managed portfolios, and of appropriate market indexes.

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Spending Policy

The spending policy is the implementation of an approach that assists the Board in determining future distributions from the endowment to provide funding support, and maintain the educational programs and infrastructure of the University. The spending decision is important because of its impact on income and future asset value. The spending policy is controlled by the Board, which has a fiduciary responsibility to ensure that the University's funds are prudently managed.

The specific spending policy of the University's donor-restricted endowment starts with the prior year's spending and adjusts for the change in the consumer price index subject to a band with the floor at 3.75% of the trailing 20-quarter average value of the endowment and a ceiling of 5.25%. The purpose is to ensure a stable and predictable level of endowment support to the operating budget. Spending distributions from the board-designated endowment are determined and approved through the University's operating budget process.

The University has interpreted relevant state law as generally permitting the spending of income and gains on endowment funds restricted in perpetuity over a stipulated period of time. State law allows the Board to appropriate a specified percentage of the income and appreciation earned on the endowment as is prudent considering the University's long and short-term needs, present and anticipated financial requirements, expected total return on its investments, price level trends and general economic conditions. Under the University's spending policy, cumulative appreciation (including interest and dividends) in an amount up to 5.25% of the average market value of eligible donor-restricted endowment funds restricted in perpetuity at the end of the previous 20 quarters may be appropriated.

Spending Appropriations

The University made budgeted appropriations under its spending policy of \$2,375,139 and \$2,559,388 for the years ended May 31, 2024 and 2023, respectively. In addition, the Board voted to appropriate an additional \$9,688,450 and \$5,950,835 from board-designated endowment to fund operations during the years ended May 31, 2024 and 2023, respectively. Therefore, a total of \$12,063,589 and \$8,510,223 was appropriated for the years ended May 31, 2024 and 2023, respectively. Such amounts are included in investment income – nonoperating assets within the University's operating revenues.

The endowment net asset composition by type of fund consisted of the following at May 31:

	2024		
	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted endowment funds	\$ -	\$ 47,749,778	\$ 47,749,778
Board-designated endowment funds	59,934,251	-	59,934,251
Total endowment funds	<u>\$ 59,934,251</u>	<u>\$ 47,749,778</u>	<u>\$ 107,684,029</u>

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	2023		
	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted endowment funds	\$ -	\$ 42,091,264	\$ 42,091,264
Board-designated endowment funds	60,702,711	-	60,702,711
Total endowment funds	<u>\$ 60,702,711</u>	<u>\$ 42,091,264</u>	<u>\$ 102,793,975</u>

Changes in endowment net assets for the fiscal years ended May 31 consisted of the following:

	2024		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	\$ 60,702,711	\$ 42,091,264	\$ 102,793,975
Investment return, net	8,593,408	6,126,058	14,719,466
Contributions/designations	67,530	706,718	774,248
Appropriation of endowment assets for expenditure	(10,889,327)	(1,174,262)	(12,063,589)
Transfer from general funds without donor restrictions to board-designated endowment	1,459,929	-	1,459,929
Endowment net assets, end of year	<u>\$ 59,934,251</u>	<u>\$ 47,749,778</u>	<u>\$ 107,684,029</u>

	2023		
	Without Donor Restrictions	With Donor Restrictions	Total
Endowment net assets, beginning of year	\$ 65,402,573	\$ 42,824,461	\$ 108,227,034
Investment return, net	97,301	146,271	243,572
Contributions/designations	15,291	496,308	511,599
Appropriation of endowment assets for expenditure	(7,113,454)	(1,396,769)	(8,510,223)
Reclassification to endowment net assets to conform to donor's intent	-	20,993	20,993
Transfer from general funds without donor restrictions to board-designated endowment	2,301,000	-	2,301,000
Endowment net assets, end of year	<u>\$ 60,702,711</u>	<u>\$ 42,091,264</u>	<u>\$ 102,793,975</u>

During the years ended May 31, 2024 and 2023, the Investment Committee transferred \$1,459,929 and \$2,301,000, respectively, of general funds to board-designated endowment.

Endowment net assets include \$111,940 and \$84,860 of contributions receivable as of May 31, 2024 and 2023, respectively.

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13. Composition of Net Assets

Net assets consisted of the following at May 31:

	2024	2023
Net assets without donor restrictions		
Board-designated endowments:		
Designated for repair and replacement	\$ 36,939,736	\$ 39,622,377
Designated for financial aid	6,884,452	6,331,276
Designated for faculty support	4,934,221	4,515,388
Designated for general budget relief	4,080,486	3,822,556
Designated for technology	4,471,559	4,088,076
Designated for other purposes	2,623,797	2,323,038
Total board-designated endowments	<u>\$ 59,934,251</u>	<u>\$ 60,702,711</u>
Net assets with donor restrictions		
Subject to expenditure for specified purpose:		
Academic initiatives	\$ 3,541,853	\$ 2,137,996
Capital construction	251,027	251,027
	<u>3,792,880</u>	<u>2,389,023</u>
Subject to the passage of time:		
Planned giving assets	<u>512,313</u>	<u>483,690</u>
Subject to restriction in perpetuity:		
Beneficial interest in trust	1,896,507	1,679,713
Planned giving assets	516,888	390,309
	<u>2,413,395</u>	<u>2,070,022</u>
Subject to the University's spending policy and appropriations:		
Endowment returns subject to future appropriation:		
Restricted for scholarship support	16,581,826	13,137,416
Restricted for faculty support	744,315	513,392
Restricted for program support	3,976,673	2,700,210
	<u>21,302,814</u>	<u>16,351,018</u>
Endowment funds restricted in perpetuity:		
Restricted for scholarship support	18,479,441	17,772,723
Restricted for faculty support	1,272,625	1,272,625
Restricted for program support	6,694,898	6,694,898
	<u>26,446,964</u>	<u>25,740,246</u>
Total net assets with donor restrictions	<u>\$ 54,468,366</u>	<u>\$ 47,033,999</u>

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Net Assets Released From Restrictions

Net assets released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of events specified by the donors were as follows:

	2024	2023
Purpose restrictions		
Scholarship support	\$ 1,742,156	\$ 1,105,638
Faculty support	32,276	84,906
Program support	232,642	209,225
Capital construction	26,000	2,042,754
	<u>\$ 2,033,074</u>	<u>\$ 3,442,523</u>

Board Appropriations

Board-designated endowment funds were appropriated as follows:

	2024	2023
Repair and replacement	\$ 9,688,450	\$ 5,950,835
Financial aid	360,398	351,608
Faculty support	233,321	227,630
General budget relief	291,756	284,640
Technology	207,062	202,012
Other purposes	108,340	96,729
	<u>\$ 10,889,327</u>	<u>\$ 7,113,454</u>

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14. Liquidity and Availability

The University's financial assets available within one year of the balance sheet date for general expenditures, such as operating expenses, scheduled principal payments on debt, and capitalized construction costs not financed with debt, were as follows:

	2024	2023
Financial assets at year end:		
Cash	\$ 10,453,517	\$ 7,095,671
Short-term investments	8,219,489	8,827,719
Student tuition receivables, net	1,151,368	968,595
Grants and other receivables	35,953	624,478
Student loans, net	369,058	219,526
Contributions receivable, net	2,283,005	2,579,402
Long-term investments	108,039,973	107,396,134
Beneficial interest in trust	1,896,507	1,679,713
Total financial assets at year end	<u>132,448,870</u>	<u>129,391,238</u>
Adjusted for amounts not available to meet general expenditures within one year:		
Student loans, net	(369,058)	(219,526)
Contributions receivable due in more than one year	(808,267)	(1,141,384)
Donor-restricted endowment funds (net of receivables)	(47,637,838)	(42,006,404)
Add: board-approved spending from donor-restricted endowment funds	1,942,590	644,592
Board-designated endowment funds	(59,934,251)	(60,702,711)
Add: board-approved spending from board-designated endowment funds	13,728,666	13,642,593
Non-endowment net assets with restrictions	(3,792,880)	(2,389,023)
Planned giving assets	(1,556,613)	(1,473,215)
Beneficial interest in trust held by others	(1,896,507)	(1,679,713)
Financial assets available to meet general expenditures within one year	<u>\$ 32,124,712</u>	<u>\$ 34,066,447</u>

The University's cash flows have seasonal variations attributable to the timing of tuition billing and contributions received. The University has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

The University's Board has designated a portion of its resources without donor restrictions to function as endowments. Those amounts are identified as board-designated endowment funds in the table above. These funds are invested for long-term appreciation and current income, but remain available and may be spent at the discretion of the Board. For the years ended May 31, 2025 and 2024, the Board approved budgeted spending of \$1,942,590 and \$644,592, respectively, from the donor-restricted endowment funds for general expenditures, as well as \$13,728,666 and \$13,642,593, respectively, from the board-designated endowment funds.

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15. Expenses by Nature and Function

Direct costs are charged to the applicable natural and functional classifications whenever possible. However, the financial statements report certain categories of expenses that are attributable to more than one program or supporting function of the University. These expenses require allocation on a reasonable basis that is consistently applied. Depreciation, interest, occupancy, and other overhead costs are allocated based on square footage used by each function. Other expenses, including information technology costs, are allocated based on estimates of time and effort.

The following tables presents functional expenses by natural classification as of May 31:

	2024					
	Program Activities					Total Expenses
	Instruction	Academic Support	Student Services	Auxiliary Enterprises	Institutional Support	
Salaries	\$ 16,609,000	\$ 2,213,646	\$ 5,880,606	\$ 3,476,055	\$ 3,593,547	\$ 31,772,854
Employee benefits	4,820,391	825,701	1,977,179	900,684	1,152,502	9,676,457
Contracted services	1,724,321	1,216,133	1,387,748	8,032,381	466,110	12,826,693
Professional services	780,536	78,815	210,669	256,575	669,721	1,996,316
Events	480,886	59,950	792,095	378,095	100,830	1,811,856
Advertising and marketing	191,368	8,121	1,179,132	25,555	316,507	1,720,683
Travel and conferences	314,977	92,109	765,720	94,153	31,297	1,298,256
Depreciation	1,079,647	442,998	1,072,283	1,999,774	294,122	4,888,824
Interest	138,973	57,023	138,025	257,411	37,859	629,291
Utilities	479,819	196,793	476,560	888,175	130,761	2,172,108
Other expenses	1,045,845	1,786,195	1,485,376	1,507,182	753,458	6,578,056
Total operating expenses	<u>\$ 27,665,763</u>	<u>\$ 6,977,484</u>	<u>\$ 15,365,393</u>	<u>\$ 17,816,040</u>	<u>\$ 7,546,714</u>	<u>\$ 75,371,394</u>

	2023					
	Program Activities					Total Expenses
	Instruction	Academic Support	Student Services	Auxiliary Enterprises	Institutional Support	
Salaries	\$ 16,559,673	\$ 2,058,211	\$ 5,523,618	\$ 3,068,516	\$ 3,053,752	\$ 30,263,770
Employee benefits	4,579,776	797,879	1,892,453	729,614	1,095,909	9,095,631
Contracted services	1,678,506	1,181,413	1,137,651	7,210,826	414,100	11,622,496
Professional services	358,570	46,205	234,758	132,950	551,008	1,323,491
Events	571,126	78,238	632,910	410,245	185,570	1,878,089
Advertising and marketing	213,547	11,543	660,225	40,810	130,994	1,057,119
Travel and conferences	181,111	76,119	643,703	43,056	23,499	967,488
Depreciation	1,120,959	445,205	1,058,420	2,009,793	290,452	4,924,829
Interest	155,351	61,700	146,685	278,533	40,253	682,522
Utilities	442,585	175,789	417,888	793,579	114,730	1,944,571
Other expenses	1,471,209	1,624,282	1,654,229	1,798,083	866,903	7,414,706
Total operating expenses	<u>\$ 27,332,413</u>	<u>\$ 6,556,584</u>	<u>\$ 14,002,540</u>	<u>\$ 16,516,005</u>	<u>\$ 6,767,170</u>	<u>\$ 71,174,712</u>

Total fundraising costs, which are included in institutional support expenses, were \$1,629,303 and \$1,260,376 for the years ended May 31, 2024 and 2023, respectively.

16. Subsequent Events

The University has assessed the impact of subsequent events through September 30, 2024, the date the audited financial statements were available to be issued, and has concluded that there were no additional events that require adjustment to the audited financial statements or disclosure in the notes to the audited financial statements.