UNIVERSITY OF DELAWARE

Consolidated Financial Statements

June 30, 2024 and 2023

(With Independent Auditors' Report Thereon)

KPMG LLP
Suite 4000
1735 Market Street
Philadelphia, PA 19103-7501

Independent Auditors' Report

The Board of Trustees
University of Delaware:

Opinion

We have audited the consolidated financial statements of the University of Delaware and its subsidiaries (the University), which comprise the consolidated balance sheets as of June 30, 2024 and 2023, and the related consolidated statements of activities, cash flows, and functional expenses for the years then ended, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the University as of June 30, 2024 and 2023, and the results of its operations and its cash flows for the years then ended in accordance with U.S. generally accepted accounting principles.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are required to be independent of 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 Consolidated Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

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

In performing an audit in accordance with GAAS, we:

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

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

KPMG LLP

Philadelphia, Pennsylvania
November 15, 2024

UNIVERSITY OF DELAWARE

Consolidated Balance Sheets

June 30, 2024 and 2023

(Dollars in thousands)

Assets		**2024**	**2023**
Cash and cash equivalents	$	43,850	50,431
Operating investments		264,481	250,501
Restricted deposits		9,327	61,429
Accounts and notes receivable, net		56,590	75,184
Prepaid expenses and inventories		2,845	1,963
Contributions receivable, net		20,629	17,887
Student loan receivables, net		2,796	3,751
Investments		2,108,463	1,992,007
Funds held in trust by others		86,541	80,629
Property, plant, and equipment, net		2,032,182	1,937,541
Operating lease right-of-use assets		21,998	14,129
Total assets	$	4,649,702	4,485,452
Liabilities and Net Assets			
Liabilities:			
Accounts payable and accrued liabilities	$	153,224	146,296
Deferred revenue and student deposits		74,555	60,636
Operating lease liabilities		22,269	14,358
Long-term debt and finance leases		656,767	671,172
Postemployment benefit obligations		515,307	447,680
Other liabilities		51,918	53,949
Total liabilities		1,474,040	1,394,091
Net assets:			
Without donor restrictions		1,559,353	1,591,093
With donor restrictions		1,616,309	1,500,268
Total net assets		3,175,662	3,091,361
Total liabilities and net assets	$	4,649,702	4,485,452

See accompanying notes to consolidated financial statements.

UNIVERSITY OF DELAWARE

Consolidated Statements of Activities

Years ended June 30, 2024 and 2023

(Dollars in thousands)

		2024	2023
Changes in net assets without donor restrictions:			
Operating revenues:			
Tuition and fees, net of scholarships and fellowships ($226,490 in 2024 and $212,314 in 2023)	$	463,216	438,162
Auxiliary services revenue		142,266	136,044
Grants, contracts, and other exchange transactions		313,993	283,115
State operating appropriations		139,547	134,016
Contributions		10,779	8,103
Endowment distributions		66,497	61,936
Investment income, net		30,464	26,216
Other revenue		62,059	61,360
Net assets released from restrictions for operations		17,000	18,003
Total operating revenues		1,245,821	1,166,955
Operating expenses:			
Salaries and wages		588,785	552,589
Benefits		204,213	187,656
Postemployment benefits		15,071	13,788
Total compensation		808,069	754,033
Supplies, materials and purchased services		318,113	284,557
Student aid		3,224	3,752
Travel		30,689	30,344
Depreciation, amortization and loss on disposals		101,052	93,344
Interest		22,250	23,895
Total operating expenses		1,283,397	1,189,925
Change in net assets from operating activities		(37,576)	(22,970)
Other changes in net assets without donor restrictions:			
Investment return net of endowment distributions		38,431	2,330
Contributions		1,285	11,695
Postemployment costs other than service costs		(26,369)	(24,406)
Other changes in postemployment benefit obligations		(55,033)	42,582
Other, net		18,877	7,585
Net assets released from restrictions for capital		28,645	24,868
Other changes in net assets without donor restrictions		5,836	64,654
Total changes in net assets without donor restrictions		(31,740)	41,684
Changes in net assets with donor restrictions:			
Investment return net of endowment distributions		73,873	19,775
Contributions		50,573	35,789
State capital appropriations		38,353	12,341
Other, net		(1,113)	36,683
Net assets released from restrictions		(45,645)	(42,871)
Total changes in net assets with donor restrictions		116,041	61,717
Total changes in net assets		84,301	103,401
Net assets at beginning of year		3,091,361	2,987,960
Net assets at end of year	$	3,175,662	3,091,361

See accompanying notes to consolidated financial statements.

UNIVERSITY OF DELAWARE

Consolidated Statements of Cash Flows

Years ended June 30, 2024 and 2023

(Dollars in thousands)

	2024	2023
Cash flows from operating activities:		
Changes in net assets	$ 84,301	103,401
Adjustments to reconcile changes in net assets to net cash provided by operating activities:		
Change in postemployment benefit obligations and other nonoperating activities	81,402	(14,884)
Net realized and unrealized (gains) losses	(167,692)	(79,933)
Change in fair value of swap	(1,810)	(6,049)
Gifts of building and equipment	(875)	(2,106)
State capital appropriations	(38,353)	(12,341)
Contributions restricted for endowment and capital	(22,157)	(17,352)
Endowment income restricted for reinvestment	(300)	(382)
Depreciation, amortization and loss on disposals	106,065	92,739
Changes in operating assets and liabilities:		
Accounts and notes receivable, net	18,594	(12,642)
Prepaid expenses and inventories	(882)	(286)
Contributions receivable, net	(1,867)	953
Accounts payable, accrued and other liabilities	7,510	14,997
Deferred revenue and student deposits	13,919	(16,110)
Postemployment benefit obligations	(13,774)	(8,820)
Operating leases, net	42	177
Net cash provided by operating activities	64,123	41,362
Cash flows from investing activities:		
Proceeds from sales and maturities of investments	1,388,590	1,378,890
Purchases of investments	(1,357,246)	(1,306,502)
Acquisitions of property and buildings	(149,144)	(133,044)
Acquisitions of equipment and library materials	(52,199)	(45,911)
Disbursements of loans to students	(166)	(360)
Repayments of loans by students	1,121	2,128
Net cash used in investing activities	(169,044)	(104,799)
Cash flows from financing activities:		
Repayments of principal on long-term debt and finance leases	(12,894)	(12,245)
State capital appropriations	38,353	12,341
Endowment income restricted for reinvestment	300	382
Contributions restricted for endowment and capital	21,282	22,814
Repayments to federal government for student loans	(803)	(2,037)
Change in restricted deposits	52,479	8,666
Net cash provided by financing activities	98,717	29,921
Net change in cash and cash equivalents	(6,204)	(33,516)
Cash, cash equivalents and restricted cash, beginning of year	52,811	86,327
Cash, cash equivalents and restricted cash, end of year	$ 46,607	52,811
Supplemental disclosure of cash flow information:		
Interest paid	$ 28,347	28,964
Increase in construction – accounts payable	1,093	18,188
Right-of-use assets obtained in exchange for new operating lease liabilities	15,984	7,098

See accompanying notes to consolidated financial statements.

UNIVERSITY OF DELAWARE

Consolidated Statement of Functional Expenses

Year ended June 30, 2024

(Dollars in thousands)

	Instruction and departmental research	Sponsored research	Extension and public service	Academic support	Student services	Student aid	Auxiliary enterprises	General institutional support	Total
Operating expenses:									
Salaries and wages	$ 291,637	97,203	32,758	55,148	25,253	3,999	10,392	72,395	588,785
Benefits	99,034	28,071	10,708	22,734	8,839	34	4,354	30,439	204,213
Postemployment benefits	9,226	1,617	653	1,262	450	—	194	1,669	15,071
Total compensation	399,897	126,891	44,119	79,144	34,542	4,033	14,940	104,503	808,069
Supplies, materials and purchased services	68,751	84,199	13,789	15,406	16,799	605	74,171	44,393	318,113
Student aid	—	—	—	—	—	3,224	—	—	3,224
Travel	20,320	5,015	1,382	1,352	1,341	83	101	1,095	30,689
Depreciation, amortization and loss on disposals	32,071	27,018	1,969	16,009	4,748	—	14,987	4,250	101,052
Interest	6,151	521	43	426	—	2	15,020	87	22,250
Total operating expenses	527,190	243,644	61,302	112,337	57,430	7,947	119,219	154,328	1,283,397
Other changes in net assets without donor restrictions:									
Postemployment costs other than service costs	17,359	2,493	1,006	1,945	694	—	299	2,573	26,369
Total functional expenses	$ 544,549	246,137	62,308	114,282	58,124	7,947	119,518	156,901	1,309,766

See accompanying notes to consolidated financial statements.

UNIVERSITY OF DELAWARE

Consolidated Statement of Functional Expenses

Year ended June 30, 2023

(Dollars in thousands)

	Instruction and departmental research	Sponsored research	Extension and public service	Academic support	Student services	Student aid	Auxiliary enterprises	General institutional support	Total
Operating expenses:									
Salaries and wages	$ 278,443	90,086	31,828	50,200	21,644	3,718	9,562	67,108	552,589
Benefits	91,357	26,480	10,631	20,447	7,456	30	3,770	27,485	187,656
Postemployment benefits	8,931	1,353	573	1,052	333	—	166	1,380	13,788
Total compensation	378,731	117,919	43,032	71,699	29,433	3,748	13,498	95,973	754,033
Supplies, materials and purchased services	58,445	75,283	15,604	15,139	15,743	524	71,554	32,265	284,557
Student aid	—	—	—	—	—	3,752	—	—	3,752
Travel	20,090	4,600	1,374	1,346	1,448	25	171	1,290	30,344
Depreciation, amortization and loss on disposals	29,186	22,860	1,782	15,803	4,575	—	15,201	3,937	93,344
Interest	9,637	312	42	479	—	2	13,308	115	23,895
Total operating expenses	496,089	220,974	61,834	104,466	51,199	8,051	113,732	133,580	1,189,925
Other changes in net assets without donor restrictions:									
Postemployment costs other than service costs	16,375	2,238	947	1,739	551	—	274	2,282	24,406
Total functional expenses	$ 512,464	223,212	62,781	106,205	51,750	8,051	114,006	135,862	1,214,331

See accompanying notes to consolidated financial statements.

(1) Summary of Significant Accounting Policies

(a) Description of Operations

The University of Delaware (the University), a privately chartered university with public support, is a doctoral/research institution-extensive, land-grant, sea-grant, space-grant, and urban-grant institution. The University, with origins in 1743, was chartered by the State of Delaware (the State) in 1833. A Women's College was opened in 1914, and in 1945, the University became permanently coeducational. The main campus is located in Newark, Delaware, a suburban community situated midway between Philadelphia and Baltimore. Courses are also offered at other locations throughout the State, including Wilmington, Lewes, Dover, Milford, and Georgetown.

The University receives an annual operating and capital appropriation from the State of Delaware. The University also participates in certain benefit plans of the State (see note 12).

The significant accounting principles and practices followed by the University are presented below to assist the reader in analyzing the consolidated financial statements and accompanying notes.

(b) Basis of Presentation and Consolidation

The consolidated financial statements include the accounts of the various academic and support divisions and other affiliated entities, including 1743 Holdings, LLC; Blue Hen Wind, Inc.; and Blue Hen Hotel, LLC, controlled by the University. 1743 Holdings, LLC was created as a wholly owned subsidiary of the University for the purpose of purchasing and managing a 272-acre site, which is contiguous to the University's 968-acre Newark campus. Blue Hen Wind, Inc. operates a wind turbine adjacent to the University's Hugh R. Sharp campus in Lewes. Blue Hen Hotel, LLC is a limited liability company originally formed on May 4, 2001. It was formed for the sole purpose of developing, managing, and operating a 125-room Courtyard Marriott Hotel adjacent to the Clayton Hall Conference Facility located in Newark, Delaware and owned by the University. All significant inter-entity activities and balances are eliminated for financial reporting purposes.

Accordingly, net assets of the University and changes therein are classified and reported as follows:

- Net assets without donor restrictions – Net assets that are not subject to donor imposed stipulations. Net assets without donor restrictions may be designated by the Board of Trustees for specific or general purposes.
- Net assets with donor restrictions – Net assets subject to donor imposed stipulations that may or will be met by actions of the University and/or the passage of time, and net assets subject to donor imposed stipulations that are maintained permanently by the University. Generally, the donors of these assets permit the University to use all of, or part of, the total investment return on related investments for general or specific purposes.

In addition to the three primary consolidated financial statements presented under U.S. GAAP for not-for-profit organizations, the consolidated statements of functional expenses present expenses by natural classification within functional categories. Functional categories are programmatic with the exception of general institutional support, which is management and general. Operation and maintenance of plant, depreciation and accretion expense, and disposals are allocated based on square footage. Postemployment and fringe benefit expenses are allocated based on salaries and wages. Interest expense and amortization of bond premium are allocated to the functional classification that benefited from the use of the debt proceeds. Fundraising expenses consist of salaries, benefits, and other expenses directly attributable to development and alumni relations activities. Operation and maintenance of plant costs were approximately $86,205,000 and $78,058,000, and fund-raising costs were approximately $19,848,000 and $19,584,000 for the years ended June 30, 2024 and 2023, respectively.

Revenue is reported as increases in net assets without donor restrictions unless use of the related assets is limited by donor imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions. Gains and losses on investments and other assets or liabilities are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulation or by law. Expirations of restrictions on net assets (i.e., the donor stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as net assets released from restrictions that reflect reclassifications from net assets with donor restrictions to net assets without donor restrictions. Releases from restrictions are presented as either operating or nonoperating. Nonoperating releases represent capital gifts for which the related assets were placed into service, and operating releases represent utilization of restricted gifts for program and operating purposes and related pledge payments.

(c) Cash and Cash Equivalents

Cash and cash equivalents include all highly liquid, interest-bearing deposits and short-term investments with maturities of three months or less at time of purchase, excluding amounts held for long-term investments.

The following table summarizes cash, cash equivalents, and restricted cash reported on the consolidated statements of cash flows as of June 30, 2024 and 2023 (in thousands):

	2024	2023
Cash and cash equivalents	$ 43,850	50,431
Restricted deposits	2,757	2,380
	$ 46,607	52,811

(d) Revenue Recognition – Contracts with Customers and Accounts Receivable

Revenues from student education (tuition and fees) are reflected net of reductions from scholarships and fellowships, while residence, dining services, and student health services are not reflected net of financial aid. All of these revenues are recognized as the services are provided over the academic year, which generally aligns with the University’s fiscal year. Disbursements made directly to students for services or other costs are reported as expenses. Scholarships are funded from unrestricted resources as well as funds from donors, federal and state governments, and endowment income restricted for student financial assistance (see note 15).

The University provides financial aid to eligible students, generally in an "aid package" that includes loans, compensation under work-study programs, and/or grant and scholarship awards. The loans are provided primarily through programs the U.S. government direct loan program under which the University is only responsible for certain administrative duties. These direct loans are not reflected on the University's consolidated financial statements as the loans are issued to the students.

Payments for student services are generally received prior to the commencement of each academic term and are reported as deferred revenue to the extent services will be rendered in the following fiscal year.

The composition of student tuition and fees, net revenue was as follows for the years ended June 30, 2024 and 2023 (in thousands):

		2024	2023
Undergraduate	$	360,723	342,597
Graduate		34,343	30,533
Other, primarily fees		68,150	65,032
Total	$	463,216	438,162

Auxiliary services revenue consisted of the following for the years ended June 30, 2024 and 2023 (in thousands):

		2024	2023
Student housing	$	65,490	64,391
Dining services		49,892	46,527
Student health services		14,838	14,659
Parking		8,598	7,644
Conference services		2,062	1,751
Other		1,386	1,072
Total	$	142,266	136,044

Other revenue includes revenues from service centers, program accounts, and other miscellaneous activities. Such revenues are recognized when goods or services are provided to customers.

Student receivables are invoiced based upon contractual terms with students. The University maintains allowances for credit losses to reflect management's best estimate of expected losses inherent in receivable balances. Management determines the allowances for credit losses based on known troubled accounts, historical experience, and other currently available evidence.

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(e) Revenue Recognition – Contributions, Including Government Grants and Contracts

Contributions, including unconditional promises to give, are recognized as revenue in the period received. Unconditional promises to give are recognized initially at fair value, giving consideration to anticipated future cash receipts and discounting such amounts at a risk adjusted rate. Amortization of the discount is included in contributions revenue. Conditional promises to give are not recognized until they become unconditional, that is, when the barriers on which they depend are substantially met. Contributions of assets other than cash are recorded at their estimated fair value.

Allowance is made, if necessary, for uncollectible contributions receivable based upon management's judgment and analysis of the creditworthiness of the donors, past collection experience, and other relevant factors.

Contributions received with donor imposed restrictions that are met in the same year as received are reported as revenue in net assets without donor restrictions. Income and realized and unrealized net gains (losses) on investments of donor restricted endowment and similar funds are reported as follows:

- Changes in net assets with donor restrictions if the terms of the gift or the University's interpretation of relevant state law require that they be added to the principal of a permanent endowment fund.
- Changes in net assets with donor restrictions if the terms of the gift impose restrictions on the use of the income or the income is not available to be used until appropriated by the University under state law.

State operating appropriations are provided by the State of Delaware to support the general operations of the University. Funds are to be spent in accordance with applicable laws and revenue is recognized ratably over the fiscal year as the funds are received and expended.

The University conducts sponsored program activity with various sponsors, including agencies and departments of the federal government, local government entities, and foundations. Such grants and contracts revenue (research and other programs) are recognized as the related qualifying expenses are incurred. Certain sponsors, however, provide funding in advance of related expenses, and such funding is recorded as deferred revenue of grant funds on the consolidated balance sheets. There is no assurance that sponsored awards will continue to be made at current levels.

State construction grants are provided by the State of Delaware to fund certain capital projects in support of the University's mission. This revenue is recognized as expenditures are incurred for construction and classified as with donor restrictions until the capital project is completed and placed in service, at such time the net assets are released from restrictions.

In response to the COVID-19 pandemic, the federal government passed the Coronavirus Aid, Relief, and Economic Stimulus Act of 2020 (CARES Act) and the American Rescue Plan Act of 2021 (ARPA) which made funds available to the University through various provisions of the legislation. The University recognized COVID-19 related revenue of approximately $34,931,000 as contribution revenue within other changes in net assets with donor restrictions in the consolidated statements of activities for the year ended June 30, 2023. The amount recognized relates to a capital grant received in a prior fiscal year through the Coronavirus State and Local Fiscal Recovery Fund. The University did not receive nor recognize any COVID-19 related funds as revenue in the consolidated statements of activities for the year ended June 30, 2024.

(f) Split-Interest Agreements and Interests in Trusts

The University's split-interest agreements with donors consist primarily of irrevocable charitable remainder trusts and charitable gift annuity agreements for which the University serves as trustee. Assets held under these arrangements are included in investments and are recorded at fair value. Contribution revenue is recognized at the date the trusts or agreements are established after recording liabilities for the present value of the estimated future payments to be made to the donors and/or other beneficiaries. The liabilities are adjusted during the terms of the trusts for changes in the values of the assets, accretion of the discounts, and other changes in estimates of future benefits.

The University is also the beneficiary of certain perpetual and remainder trusts held and administered by others. The fair values of the trusts are recognized as assets and contribution revenue at the dates the trusts are established. The assets held in these trusts are included in funds held in trust by others and are adjusted for changes in the fair value of the trust assets.

(g) Investments

Investments are stated at fair value or net asset value, which is a practical expedient for fair value, as described in notes 5 and 6. Investment income, including dividend and interest, is recognized when earned.

Investments measured at net asset value, include the University's interests in limited partnerships and limited liability companies (LLCs) and are reported by investment managers unless it is probable that all or a portion of the investment will be sold for an amount different from net asset value. As of June 30, 2024 and 2023, the University had no plans or intentions to sell investments at amounts different from net asset value. The net asset values are reported by the general partners or fund managers and are reviewed and evaluated by the University. These net asset values may differ from the values that would have been used had a ready market existed for these investments and the differences could be significant.

(h) Property, Plant, and Equipment

Property, plant, and equipment is stated at cost, if purchased, or at estimated fair value at the date of receipt, if donated. Costs of major renovations to buildings are capitalized. Costs of equipment and furnishings in excess of $5,000 with a useful life expectancy of two years or more are also capitalized. Repairs and maintenance costs are expensed as incurred. Costs relating to retirement, disposal, or abandonment of assets where the University had a legal obligation to perform activities are accrued and depreciated using site-specific information.

Interest on borrowings is capitalized from the date of the borrowing until the specified qualifying assets acquired with those borrowings are ready for their intended use or the borrowing is retired, whichever occurs first. Capitalized interest is amortized over the useful life of the qualifying asset.

Depreciation and amortization are computed using the straight-line method over the following estimated useful lives of the assets or the lease term, if shorter, as follows:

Class of property	Range of useful lives (years)
Land improvements	15
Buildings	40
Equipment and furnishings	2-20
Library	10
Finance leasehold and leasehold improvements	29-40

Land used by the University is not depreciated. Art and collections held by the University are not depreciated.

(i) Nonoperating Activities

Nonoperating activities include investment return, net of endowment distributions for operations; contributions for endowment and plant purposes; State capital appropriations; the operations of subsidiaries ancillary to the University’s mission; postemployment costs other than service costs; changes in postemployment benefit obligations and asset retirement obligations and interest rate swaps; and nonrecurring or unusual transactions. Nonoperating activities are presented in the consolidated statement of activities in the “other changes in net assets without donor restrictions” and “changes in net assets with donor restrictions.”

(j) Income Taxes

The University is exempt from federal income tax under Section 501(a) as an organization described in Section 501(c)(3) and is further classified as a public charity as described in Sections 170(b)(1)(A)(ii) of the Internal Revenue Code (Code). 1743 Holdings, LLC, Blue Hen Hotel, LLC and UD Health LLC are Delaware single member LLCs with the University as a sole member and treated as disregarded entities for tax purposes. Blue Hen Wind, Inc. is a for-profit corporation wholly owned by the University, therefore it reports income and expenses separately from the University for tax purposes.

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The University is subject to tax on income unrelated to its exempt purpose, unless that income is otherwise excluded by the Code. The organization has processes presently in place to ensure the maintenance of its tax-exempt status; to identify and report unrelated income; to determine its filing and tax obligations in jurisdictions for which it has nexus; and to identify and evaluate other matters that may be considered tax positions.

The University follows guidance that clarifies the accounting for uncertainty in tax positions taken or expected to be taken in a tax return, including issues relating to financial statement recognition and measurement. This guidance provides that the tax effects from an uncertain tax position can only be recognized in the financial statements if the position is “more-likely-than-not” to be sustained if the position were to be challenged by a taxing authority. The assessment of the tax position is based solely on the technical merits of the position, without regard to the likelihood that the tax position may be challenged.

The statute of limitations on the University’s federal and state tax returns remains open for the years ended June 30, 2021 through the present. The University has determined that there are no material uncertain tax positions that require recognition or disclosure in the financial statements as of June 30, 2024 and 2023.

(k) Estimates

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

(l) Refundable Advances from the U.S. Government

Student loan programs provided by the U.S. government under the Federal Nursing Student Loan program are loaned to qualified students, administered by the University, and are required to be reloaned after collections. These funds, which are ultimately refundable to the government and are included in other liabilities, aggregated approximately $4,260,000 and $5,063,000 as of June 30, 2024 and 2023, respectively.

(m) Derivative Financial Instruments

The University uses interest rate swap agreements to manage interest rate risk associated with certain variable-rate debt or to adjust its debt structure. Derivative financial instruments are measured at fair value and recognized in the consolidated balance sheets as other liabilities, with changes in fair value recognized within other, net of the other changes in net assets without donor restrictions in the consolidated statements of activities.

(n) New Accounting Pronouncements

In June 2016, the FASB issued Accounting Standards Update 2016-13 *Financial Instruments-Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments*, which requires financial assets measured at amortized cost to be presented at the net amount expected to be collected. Under ASU 2016-13, entities must estimate expected credit losses based on past events, current conditions, and future forecasts that affect the collectability of the financial asset. The University adopted the new standard on a modified retrospective basis in fiscal year 2024 and there was no material impact on the University's consolidated financial statements.

(o) Reclassification of Prior Year Presentation

Certain prior year figures have been reclassified to conform with the current year presentation. These reclassifications had no effect on the previously reported change in net position.

(2) Liquidity

The following table reflects the University's financial assets as of June 30, 2024 and 2023, available for general expenditures within one year (in thousands):

		2024	2023
Cash and cash equivalents	$	43,850	50,431
Operating investments		264,481	250,501
Accounts and notes receivable collectible within one year		56,590	75,184
Operating funds invested in pooled portfolio		234,507	223,848
Estimated endowment spending payout – 2025 and 2024		70,606	65,930
Financial assets available to meet cash needs for general expenditures within one year	$	670,034	665,894

The University manages its financial assets to be available as its operating expenditures, liabilities and other obligations come due. In addition, the University invests cash in excess of daily requirements in short term investments or fixed income securities. To help manage unanticipated liquidity needs, the University has a committed line of credit in the amount of $100,000,000, which it could draw upon until maturity in May 2027. Additionally, as of June 30, 2024 and 2023, the University had board designated endowments and other investments of approximately $463,431,000 and $440,629,000. Although the University does not intend to spend from these investments, other than amounts appropriated for general expenditure as part of its annual budget approval and appropriation process, they could be made available, if necessary, subject to liquidity of the underlying investments.

(3) Contributions Receivable

Contributions receivable as of June 30, 2024 and 2023 are summarized as follows (in thousands):

		2024	2023
Amounts due in:			
Less than one year	$	6,592	5,744
One to five years		14,530	12,158
Over five years		2,110	2,555
		23,232	20,457
Less:			
Allowance for uncollectible pledges		(554)	(784)
Unamortized discounts		(2,049)	(1,786)
	$	20,629	17,887

Contributions to be received after one year are discounted at rates ranging from 1.1% to 5.2%.

(4) Restricted Deposits

Restricted deposits as of June 30, 2024 and 2023 consisted of the following (in thousands):

		2024	2023
Debt service reserve funds	$	6,410	10,092
Other deposits		2,917	2,533
Unexpended bond proceeds		—	48,804
	$	9,327	61,429

Debt service reserve funds are held with a trustee. The University transfers funds to the trustee in accordance with bond covenant agreements to meet future bond payments. These funds remain on deposit until scheduled interest payments and scheduled or optional redemption principal payments are made, as disclosed in note 10. These funds are generally invested in cash equivalents, but not considered restricted cash equivalents for purposes of the statements of cash flows.

The unexpended bond proceeds represent the amount of unspent 2018 general obligation bond proceeds that are held internally by the University, to be used in certain capital projects. The unexpended bond proceeds are generally invested in short-term U.S. government or commercial securities with maturities that support the anticipated cash flow of the underlying construction projects.

(Continued)

(5) Investments

The fair value by investment class as of June 30, 2024 and 2023 consist of the following (in thousands):

		2024	2023
Money market and other liquid funds	$	41,147	35,263
U.S. government obligations		209,460	201,380
Corporate obligations		197,805	230,836
Stock and convertible securities		408,305	272,831
International equity investments		2,733	1,722
Limited partnerships and limited liability corporations (LLCs)		1,506,464	1,491,641
Other		7,030	8,835
Total	$	2,372,944	2,242,508

		2024	2023
Operating investments	$	264,481	250,501
Investments		2,108,463	1,992,007
	$	2,372,944	2,242,508

Included in the investments table above are approximately $8,554,000 and $5,510,000 of annuity and life-income funds at June 30, 2024 and 2023, respectively (see note 7).

The asset allocation of the University's investments involves exposure to a diverse set of markets. The investments within these markets involve various risks, such as interest rate, market, sovereign, and credit risks. The University anticipates that the value of its investments may, from time to time, fluctuate substantially as a result of these risks.

Investment return for fiscal years ended June 30, 2024 and 2023 was as follows (in thousands):

		2024	2023
Dividend and interest income	$	46,579	35,368
Net realized and unrealized gains		167,692	79,933
External investment management fees and expenses		(4,939)	(4,687)
Investment return, net	$	209,332	110,614

Investment return is presented for fiscal years ended June 30, 2024 and 2023 as follows (in thousands):

		2024	2023
Without donor restrictions:			
Investment income, net	$	30,464	26,216
Endowment distributions		66,497	61,936
Investment return net of endowment distributions		38,431	2,330
		135,392	90,482
With donor restrictions:			
Investment return net of endowment distributions		73,873	19,775
Other, net		67	357
		73,940	20,132
Investment return, net	$	209,332	110,614

(6) Fair Value Measurements

Fair value is the price that would be received to sell an asset or paid to transfer a liability (exit price) in the principal or most advantageous market in an orderly transaction between participants at the measurement date and establishes a framework for measuring fair value.

The three levels of the fair value hierarchy are defined as follows:

Level 1: Quoted or published prices in active markets for identical assets or liabilities.

Level 2: Observable inputs other than Level 1 prices such as quoted prices for similar assets and liabilities, quoted prices in markets that are not active, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3: Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities; Level 3 assets and liabilities include financial instruments whose value is determined using pricing models, discounted cash flow methodologies, or similar techniques, as well as instruments for which the determination of fair value requires significant management judgment or estimation.

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 measures its restricted deposits, investments, liabilities related to annuity and life-income funds, and interest rate swaps using the valuation methodologies described below:

(a) Investments and Restricted Deposits

Investments and restricted deposits are recorded at fair value. Additional considerations used to categorize investments include:

Money market and other liquid funds, certain U.S. government obligations, stock and convertible securities, and international investments held directly by the University are classified as Level 1 since quoted prices in active markets are available. Corporate obligations and certain U.S. government obligations are classified as Level 2 as they are not traded in an active market but are valued using third-party vendor pricing services by custodian banks, for similar securities. Certain stock and convertible securities and international investments are classified as Level 2 because the underlying investments are held in annuity and life-income funds (see paragraph (b) below.).

Other investment classes classified as Level 2 consist primarily of municipal obligations held in commingled funds, while those classified as Level 3 consist primarily of collateralized mortgage obligations and restricted real estate.

Investments in investee funds that are valued using the net asset value (NAV) of the underlying investee fund as a practical expedient have been excluded from the fair value hierarchy and are shown as a separate column in the fair value leveling table. Where the University has the ability to redeem its investments with the investee at net asset value per share (or its equivalent) using the practical expedient, such investments have been excluded from the fair value hierarchy.

(b) Annuity and Life-Income Funds

The annuity and life-income funds' assets represent the fair value of assets held in irrevocable charitable remainder trusts and charitable gift annuity agreements. These assets consist primarily of corporate obligations, stock and convertible securities, and international investments and have been classified as Level 2 using the same methodology described above for similar types of underlying assets.

The annuity and life-income funds payable represents the present value of future annuity payments due under these agreements, as calculated for each annuity using discount rates and actuarial assumptions consistent with American Counsel of Gift Annuities standards. These liabilities have been classified as Level 3 as the fair value is determined based upon a discounted cash flow methodology, which required judgment and estimation.

(c) Funds Held in Trust by Others

Funds held in trust by others represent amounts held by third parties where the University receives an income stream in perpetuity, but the assets are required to be held by a trustee. The University does not own the underlying assets, but rather has a beneficial interest in the trust. These trusts are invested in a combination of readily marketable assets, limited partnerships, and land and have been classified as Level 3 since the University maintains an interest in the trust not the underlying investments.

(d) Debt Interest Rate Swap Agreements

The fair value of the University's interest rate swaps is based on a third-party valuation independent of the counterparty using observable market data. The University considers this a Level 2 measurement.

The following tables present the University's fair value hierarchy for financial instruments that are measured at fair value on a recurring basis, as shown on the June 30, 2024 and 2023 consolidated balance sheets (in thousands):

	June 30, 2024				
	Total	**Level 1**	**Level 2**	**Level 3**	**Net asset value**
Financial assets:					
Investments:					
Money market and other liquid funds	$ 41,147	41,038	109	—	—
U.S. government obligations:					
Mortgage-backed securities	38,869	—	38,869	—	—
Treasury obligations	168,455	168,308	147	—	—
Other	2,136	658	1,478	—	—
	209,460	168,966	40,494	—	—
Corporate obligations	197,805	354	197,451	—	—
Stock and convertible securities	408,305	405,104	3,201	—	—
International investments	2,733	78	2,655	—	—
Other	7,030	2,860	—	4,170	—
Limited partnerships and LLCs	1,506,464	—	—	—	1,506,464
Total investments	2,372,944	618,400	243,910	4,170	1,506,464
Restricted deposits	9,327	9,327	—	—	—
Funds held in trust by others	86,541	—	—	86,541	—
Total	$ 2,468,812	627,727	243,910	90,711	1,506,464
Financial liabilities, included in the other liabilities:					
Annuity and life income funds payable	$ 4,860	—	—	4,860	—
Interest rate swaps	4,030	—	4,030	—	—
Total	$ 8,890	—	4,030	4,860	—

	June 30, 2023				
	Total	Level 1	Level 2	Level 3	Net asset value
Financial assets:					
Investments:					
Money market and other liquid funds	$ 35,263	34,930	333	—	—
U.S. government obligations:					
Mortgage-backed securities	46,027	—	46,027	—	—
Treasury obligations	153,257	153,101	156	—	—
Other	2,096	543	1,553	—	—
	201,380	153,644	47,736	—	—
Corporate obligations	230,836	346	230,490	—	—
Stock and convertible securities	272,831	270,805	2,026	—	—
International investments	1,722	72	1,650	—	—
Other	8,835	2,793	—	6,042	—
Limited partnerships and LLCs	1,491,641	—	—	—	1,491,641
Total investments	2,242,508	462,590	282,235	6,042	1,491,641
Restricted deposits	61,429	61,429	—	—	—
Funds held in trust by others	80,629	—	—	80,629	—
Total	$ 2,384,566	524,019	282,235	86,671	1,491,641
Financial liabilities, included in the other liabilities:					
Annuity and life income funds payable	$ 3,302	—	—	3,302	—
Interest rate swaps	5,840	—	5,840	—	—
Total	$ 9,142	—	5,840	3,302	—

During the year ended June 30, 2023, approximately $688,000 was transferred out of Level 3 investments. University’s interest in funds held in trust by others changed in 2023 primarily due to underlying investment losses. There were no amounts transferred out of Level 3 investments during the year ended June 30, 2024.

The following table presents the attributes of the University's alternative investments in limited partnerships and LLCs as of June 30, 2024 and 2023, which are stated at net asset value as a practical expedient for fair value, as reported by the funds (in thousands):

	2024	2023	Estimated remaining lives (years)	As of June 30, 2024 unfunded commitments	Redemption frequency	Redemption notice frequency
Limited partnerships and LLCs:						
Equity funds	$ 228,410	312,443	—	$ —	Monthly	10 Days
Fixed income	53,395	42,586	—	—	Monthly	10 Days
Hedge funds	323,951	294,532	—	—	Annually	90-100 days
Private equity	733,533	697,716	1-12	298,852	Not eligible	N/A
Real assets	160,403	144,364	1-12	102,097	Not eligible	N/A
Private debt	6,772	—	1-9	28,228	Not eligible	N/A
	$ 1,506,464	1,491,641		$ 429,177		

Subsequent to June 30, 2024, the University executed additional commitments of $15,000,000.

Equity Funds

This category includes investments in commingled funds that invest primarily in domestic and international equity securities.

Fixed Income

This category includes investments in commingled funds that invest primarily in public securities.

Hedge Funds

This category includes investments in hedge funds that pursue multiple strategies and long-short strategies to diversify risks and reduce volatility. The hedge funds invest in a variety of marketable securities, including stocks, bonds, credit-oriented securities, and arbitrage investments. The managers have the ability to shift investments between strategies and between net long and net short positions. This category also includes commingled funds that invest, both long and short, in a variety of instruments, including U.S. stocks, international stocks, fixed-income securities, currencies, and derivative transactions. The funds can be further broken down into the following categories: equity long/short, event-driven, credit, macro, and multistrategy funds. These investments are subject to risks, including market risk, manager risk, and liquidity risk. The goal of these investments is to provide returns that exhibit lower correlations and lower volatility than the public equity markets. All of the private limited partnerships and LLCs receive distributions through the liquidation of the underlying assets of the funds. These investments can never be redeemed. Distributions from each fund will be received as the underlying investments of the funds are liquidated. The University is obligated, under certain limited partnership agreements, to make additional capital contributions up to contractual levels (unfunded commitments). The timing and amounts of the contributions will be determined by the general partner of the respective limited partnership.

Private Equity

This category includes illiquid investments in buyout, mezzanine, venture capital, growth equity, and distressed debt held in commingled limited partnership funds.

Real Assets

This category includes illiquid investments in residential and commercial real estate assets, projects, land held in commingled limited partnership funds, or natural resources.

Private Debt

This category includes investments in commingled funds that invest primarily in private debt securities.

(7) Annuity and Life-Income Funds

The University held approximately $8,554,000 and $5,510,000 in investments related to annuity and life income funds as of June 30, 2024 and 2023, respectively. A related liability of approximately $4,860,000 and $3,302,000 as of June 30, 2024 and 2023, respectively, represents the present value of future annuity payments due under these agreements and was calculated for each annuity using discount rates and actuarial assumptions consistent with the terms of the gift. Such liabilities are included in other liabilities in the consolidated balance sheets.

The University complies with all applicable laws of certain states to maintain reserves against charitable gift annuities.

(8) Property, Plant, and Equipment

Property, plant, and equipment as of June 30, 2024 and 2023 consisted of the following (in thousands):

		2024	2023
Land	$	58,942	58,942
Land improvements		92,157	92,157
Buildings		2,390,718	2,324,878
Equipment, furnishings, art, and collections		414,834	412,592
Library		332,156	321,246
Finance leasehold and leasehold improvements		90,719	85,853
Construction in progress		205,843	135,755
		3,585,369	3,431,423
Less accumulated depreciation		(1,553,187)	(1,493,882)
	$	2,032,182	1,937,541

As of June 30, 2024, the University had outstanding contractual commitments of approximately $83,102,000 for building and renovation projects. Interest costs associated with various construction projects of approximately $5,979,000 and $4,981,000 were capitalized at June 30, 2024 and 2023, respectively.

(Continued)

Right-of-use assets from finance leases were approximately $89,301,000 and $85,853,000 and are included in finance leasehold and have corresponding accumulated depreciation of approximately $21,698,000 and $18,703,000 at June 30, 2024 and 2023, respectively. Lease liabilities from finance leases are included in long-term debt and finance leases on the consolidated balance sheets.

(9) Leases

The University is the lessee of space under both operating and finance lease agreements. Lease right-of-use assets represent the University's right to use the underlying asset for the lease term. Lease liabilities represent the University's obligation to make lease payments arising from the lease. Leases with terms over twelve months are measured, classified, and recognized at lease commencement. Measurement is based on the present value of future minimum lease payments over the lease term, discounted at an appropriate incremental borrowing rate, which is based on the information available at the commencement date in determining the present value of lease payments. The present value of an option to extend or terminate a lease is included at commencement when it is reasonably certain to be exercised.

Lease expense for lease payments is recognized on a straight-line basis over the term of the lease. Amortization expense and interest expense is recognized as a component of lease payments for finance leases. The following table summarizes the components of lease expense for the years ended June 30, 2024 and 2023 (in thousands):

		2024	2023
Lease expense:			
Amortization of right-of-use assets	$	2,995	2,880
Interest on lease liabilities		2,302	2,359
Operating lease expense		7,944	5,158
Total lease expense	$	13,241	10,397

The following table contains the maturity analysis of the annual undiscounted cash flows reconciled to the carrying value of the operating and finance lease liabilities as of June 30, 2024 (in thousands):

Year		Operating	Finance
2025	$	5,580	3,734
2026		4,556	3,734
2027		2,862	3,734
2028		1,769	3,734
2029		1,606	3,776
Thereafter		6,084	64,745
Total lease payments		22,457	83,457
Less imputed interest		188	29,290
Present value of lease liabilities	$	22,269	54,167

The weighted-average remaining lease term and discount rate for operating and finance leases as of June 30, 2024 are as follows:

	Operating	Finance
Weighted average remaining lease term	6.2 Years	21.9 Years
Weighted average discount rate	3.60 %	4.19 %

The weighted-average remaining lease term and discount rate for operating and finance leases as of June 30, 2023 are as follows:

	Operating	Finance
Weighted average remaining lease term	3.5 Years	22.9 Years
Weighted average discount rate	5.16 %	4.19 %

The University leases as lessor rental properties to customers classified as operating leases. There are no sales-type or direct financing leases. Property owned by the University and leased to third parties remains in Property, plant, and equipment on the consolidated balance sheet. Revenue is recognized to the extent that amounts are determined to be collectible. The University recognized sublease income of approximately $853,000 and $670,000 in other revenue during the years ended June 30, 2024 and 2023, respectively.

The following table contains the maturity analysis of the approximate future minimum rental revenue under operating leases that have initial or remaining noncancelable lease terms for the years ended June 30 (in thousands):

2025	$	1,576
2026		1,507
2027		785
2028		784
2029		701
Thereafter		67,992
	$	73,345

(10) Long-Term Debt and Finance Leases

Indebtedness at June 30, 2024 and 2023 consisted of the following (in thousands):

	Fiscal year of maturity	Interest rate(s)%		Outstanding principal 2024	Outstanding principal 2023
Variable-rate debt:					
Series 2004B	2035	3.62 %	$	29,305	29,305
Series 2005	2036	4.19		28,690	28,690
Series 2013C	2038	4.13		53,335	53,335
Variable-rate debt				111,330	111,330
Fixed-rate bonds:					
Series 2010A taxable Build America Bonds (BABs)	2041	3.93		119,580	119,580
Series 2013B taxable	2027	1.12–3.00		2,420	3,185
	2034	3.83		6,770	6,770
	2044	3.98		13,555	13,555
Series 2018 taxable	2051	4.07		76,770	76,770
	2059	4.22		123,230	123,230
Series 2019	2043	5.00		72,980	82,620
Series 2019A	2046	5.00		43,515	44,575
Fixed-rate debt				458,820	470,285
Finance leases (note 9)	2043–2049	4.11–4.25		54,167	55,596
				624,317	637,211
Premium on long-term debt, net of debt issue costs of $2.5 million (2024) and $2.6 million (2023)				32,450	33,961
Long-term debt and finance leases			$	656,767	671,172

With the exception of the Series 2018 taxable, 2019, and 2019A bonds, the bonds in the preceding table were primarily issued to finance capital projects associated with auxiliary services and are secured by a pledge of gross revenue received by the University from the operations of all project facilities including housing, dining, parking, and other revenue producing facilities and mandatory student fees. The Series 2018 taxable, 2019, and 2019A bonds are unsecured general obligations of the University. All variable rate debt referenced are subject to fixed rate interest rate swap agreements and the corresponding interest rates for each issue include the swap rate, credit costs, and remarketing fee.

The Series 2004B and 2005 bonds initially bear interest at a daily rate and can be converted to bear interest at a weekly, flexible, term, or fixed rate to maturity.

The Series 2010A Taxable Revenue Bonds are Build America Bonds and the University receives payments from the U.S. Treasury equal to 33.0% of the corresponding interest payable on the bonds (the Subsidy Payments). For the years ended June 30, 2024 and 2023, respectively, the University recognized subsidy payments of approximately $2,584,000 and $2,320,000, which are included as other revenue for the year the ended June 30, 2024. The bonds are subject to mandatory redemption from November 1, 2028 through November 1, 2040 but are subject to optional redemption and tender for purchase prior to maturity.

The 2013C bonds were converted from a term rate to bear interest at a daily rate on May 1, 2016. The bonds can be converted to bear interest at a weekly, flexible, term, or fixed rate to maturity.

On April 12, 2018, the University issued its Taxable Bonds, Series 2018. The bonds are unsecured general obligations of the University. The bonds are subject to mandatory redemption from November 1, 2041 through November 1, 2058.

On June 20, 2019, the University issued its Tax-Exempt Bonds, Series 2019. The bonds are unsecured general obligations of the University. The bonds consist of serial bonds maturing from November 1, 2019 through November 1, 2043. The bonds maturing from November 1, 2029 through November 1, 2043 are subject to optional redemption.

On October 9, 2019, the University issued its Tax-Exempt Bonds, Series 2019A. The bonds are unsecured general obligations of the University. The bonds consist of serial bonds maturing from November 1, 2019 through November 1, 2045. The bonds maturing from November 1, 2030 through November 1, 2045 are subject to optional redemption.

The University's debt agreements require that the University meet certain financial and other covenants. The University was in compliance with these covenants as of June 30, 2024.

The aggregate amount of principal payments on the University's long-term debt and finance leases are due as follows (in thousands):

2025	$	11,644
2026		12,207
2027		12,818
2028		11,747
2029		6,207
Thereafter		569,694
	$	624,317

The University has Standby Bond Purchase Agreements (SBPA) for the Series 2004B, 2005, and 2013C variable rate demand bonds to provide liquidity for the purchase of the bonds should the remarketing agent be unable to sell the bonds on the open market. The SBPAs provide for the banks to purchase any outstanding bonds not remarketed for a period of up to 90 days at variable interest rates, as defined in the SBPAs. The SBPAs for the Series 2004B, 2005, and 2013C bonds expire on April 5, 2027, May 31, 2029, and April 30, 2027, respectively.

(11) Interest Rate Swap Agreements

The University holds interest rate swap agreements on its variable bonds, in which the University and counterparties agree to exchange the difference between fixed-rate and variable-rate calculated interest amounts during the agreement period. Notional principal amounts are used to express the volume of the transactions, but the cash requirements and amounts subject to credit risk are substantially less.

The following table summarizes the general terms of the University's interest rate swap agreements as of June 30, 2024 and 2023 (in thousands):

Notional amount 2024	Notional amount 2023	Effective date	Termination date	Fixed rate	Variable rate (as of June 30, 2024)
$ 3,085	3,755	Sept 2001	Sept 2027	5.50 %	5.45% (Daily Compound SOFR + 11.4bps)
22,905	24,585	April 2004	Nov 2034	3.25	3.65% (67% Daily Compound SOFR + 11.4bps)
20,385	21,670	July 2005	Nov 2035	3.87	3.65% (67% Daily Compound SOFR + 11.4bps)
44,700	47,075	May 2007	Nov 2037	3.76	3.45% (SIFMA)
19,435	21,435	Sept 2011	Aug 2031	3.74	3.70% (68% Daily Compound SOFR + 11.4bps)
$ 110,510	118,520				

The fair value of each swap is the estimated amount the University would pay or receive to terminate the swap agreement as of the reporting date while considering current interest rates and creditworthiness of the swap counterparties. The aggregate fair value of the University's interest rate swap agreements of approximately $4,030,000 and $5,840,000 is reported within other liabilities in the consolidated balance sheets as of June 30, 2024 and June 30, 2023, respectively. Changes in the fair value of interest rate swap agreements of approximately $1,810,000 and $6,049,000 are reported as gains within other revenue, without donor restrictions on the consolidated statement of activities for the years ended June 30, 2024 and June 2023, respectively.

A portion of the University's interest rate swap agreements contains provisions that require the University's debt and the counterparty to maintain an investment grade credit rating from one or both of the major credit rating agencies. A downgrade of the University or the counterparty's rating may require that party to provide collateralization above a predetermined threshold on all rate swaps in net liability positions. To date, the University has not posted collateral.

(12) Employee Benefit Plans

(a) University Pension Plans – Defined Contribution

The University's 403(b) Retirement Savings Plan is available to substantially all faculty and professional employees. The University's contribution for this program is fixed at 11% of annual base salary for eligible employees who contribute a minimum of 5% of their annual salary. The policy of the University is to pay its share of the cost accrued in connection with the University's Retirement Savings Plan. As a result, there are no unfunded benefits. Pension plan expense for the University's 403(b) Retirement Savings Plan was approximately $41,504,000 in 2024 and $38,659,000 in 2023.

In addition, the University also offers two additional voluntary retirement benefit plans:

The Voluntary 403(b) Retirement Plan is available to all eligible full-time and part-time employees who wish to make additional contributions to their retirement savings. Participation is voluntary and does not require a minimum contribution. The University makes no contributions to this plan, incurs no expense for the operation of this plan, and has no unfunded liability.

The Voluntary 457(b) Deferred Compensation Plan is available to all eligible full-time and part-time employees who are already making the maximum allowable contribution to the Voluntary 403(b) Retirement Plan and wish to make additional contributions to their retirement savings. The University makes no contributions to this plan, incurs no expense for the operation of this plan, and has no unfunded liability.

(b) Faculty Retirement

Faculty members subject to the current collective bargaining agreement (CBA) that expires on June 30, 2026, who qualify for retirement can elect certain additional benefits upon notice of their retirement from the University. These benefits may include a combination of retirement leave or phased retirement, and a lump-sum payment based upon years of service and salary level. Faculty retirement benefits are funded by the University on a pay-as-you-go basis.

Net periodic postemployment benefit cost for 2024 and 2023 includes the following components (in thousands):

		2024	2023
Operating expenses:			
Service cost	$	3,114	3,560
Nonoperating costs:			
Interest cost		3,395	2,971
Amortization of prior service cost and losses		4,540	4,523
		7,935	7,494
Net periodic postemployment benefit cost	$	11,049	11,054

Benefits paid to participants were approximately $17,269,000 and $11,801,000 for the years ended June 30, 2024 and 2023, respectively. The University's estimated unfunded obligation related to this plan is approximately $58,182,000 and $69,598,000 and is included in postemployment benefit obligations on the consolidated balance sheets as of June 30, 2024 and 2023, respectively.

The accumulated benefit obligation was approximately $40,621,000 and $49,838,000 as of June 30, 2024 and 2023, respectively. The benefit obligation was determined using a discount rate of 5.46% as of June 30, 2024 and 5.21% as of June 30, 2023, and a rate of compensation increase of 2% for first two years and 3.00% thereafter. During 2024 and 2023, the net periodic benefit cost was determined using a service cost rate of 5.22% and 4.84%, respectively; and an interest cost rate of 5.48% and 4.16%, respectively.

At of June 30, 2024, the University's expected future benefit payments are as follows (in thousands):

Year ending June 30:		
2025	$	20,653
2026		2,558
2027		2,989
2028		3,038
2029		3,125
2030 through 2034		19,877

(c) Postemployment

The University also provides postemployment benefits primarily for medical insurance to retired employees who are not eligible under the State Pension Plan, as described below. The University recognizes the funded status (i.e., the difference between the fair value of plan assets and the accumulated postemployment benefit obligation) of its postemployment benefit plan on the consolidated balance sheets. Also, the University measures the fair value of plan assets and benefit obligations as of the date of the June 30th consolidated balance sheets. As of June 30, 2024, the University has not funded these benefits.

Net periodic postemployment benefit cost for 2024 and 2023 includes the following components (in thousands):

		2024	2023
Operating expenses:			
Service cost	$	11,957	10,228
Nonoperating costs:			
Interest cost		19,911	17,828
Amortization of prior service cost gains		(1,478)	(916)
		18,433	16,912
Net periodic postemployment benefit cost	$	30,390	27,140

The accumulated postemployment benefit obligation recognized in the consolidated balance sheets at June 30, 2024 and 2023 is as follows (in thousands):

		2024	2023
Accrued postemployment liability	$	464,704	445,889
Unrecognized net gain		(7,579)	(67,807)
Accumulated postemployment benefit obligation	$	457,125	378,082

Changes in the accumulated postemployment plan benefit obligation and funding status for 2024 and 2023 are as follows (in thousands):

		2024	2023
Benefit obligation at beginning of year	$	378,082	398,754
Service cost		11,957	10,228
Interest cost		19,911	17,828
Plan amendments		15,078	—
Actuarial loss (gain)		43,672	(37,920)
Disbursements		(11,575)	(10,808)
Benefit obligation at end of year	$	457,125	378,082

Prior to July 1, 2023, employees with a combined age of at least 55 and a minimum of 15 benefit years of service greater than or equal to 80 were eligible for retirement benefits under this plan. The eligibility requirements under the University's plan provision were amended effective July 1, 2023. Employees with a combined age of at least 55 and a minimum of 10 benefit years of service greater than or equal to 75 are now eligible for retirement benefits under the plan amendment. As a result, the University's accumulated postemployment plan benefit obligation and funding status increased by approximately $15,078,000 as of June 30, 2024.

The assumptions used to calculate the accumulated postemployment benefit obligation at June 30, 2024 and 2023 were as follows:

	2024	2023
Discount rate – Postemployment benefit obligation	5.57 %	5.23 %
Discount rate – Net periodic postemployment benefit costs	5.23	4.91
Healthcare cost trend rate – pre-65 claims:	7.00	7.25
Rate to which the cost trend rate is assumed to decline (the ultimate trend rate)	4.50	4.50
Year the rate reaches the ultimate trend rate	2034	2033
Healthcare cost trend rate – post-65 claims:	7.75	8.00
Rate to which the cost trend rate is assumed to decline (the ultimate trend rate)	4.50	4.50

The actuarial gains relate to changes in assumptions in discount rates, medical premium renewal, healthcare cost trends, and medical claims.

At June 30, 2024, the University's expected future benefit payments are as follows (in thousands):

Year ending June 30:		
2025	$	17,527
2026		18,881
2027		20,108
2028		21,409
2029		22,737
2030 through 2034		132,867

(d) Participation in State Retirement Plans

A portion of University employees participate in the Delaware State Employees' Pension Plan (the State Plan), a cost sharing defined benefit plan. This excludes designated faculty and staff as defined by the University. The State Plan (established in 1970) is one of nine plans encompassed within the Delaware Public Employees' Retirement System. Under the state pension statute, a mandatory pretax contribution of 5% of salary (or 3% if pension creditable service began prior to January 1, 2012) in excess of $6,000 per year plus 5% of salary in excess of the social security wage base is required by the employee (pension). In addition to these retirement benefits, pension eligible employees also receive postemployment healthcare benefits through the State Plan, which are funded by the State Pension on a pay-as-you-go basis other postemployment benefits (OPEB).

The University is required to pay its share of the annual premium accrued in connection with the State Plan (inclusive of Pension and OPEB), which is based upon a percentage of covered payroll. The percentage of covered payroll was 23.04% and 22.62% in 2024 and 2023. Expense recognized for the State Plan was approximately $15,131,000 and $14,152,000 in 2024 and 2023, respectively.

The State Plan's financial statements and actuarial reports for June 30, 2023 (most recent available) indicate the following:

The University has 1,210 active participants in the State Plan. The State Plan, in total, has 76,368 participants, 39,412 of which are active participants.

The University's contribution to the State Plan in fiscal year June 30, 2023 of approximately $6,515,000 was approximately 2.4% of the $269,678,000 total annual required plan employer contributions to the State Plan.

As of June 30, 2023, the State Plan had an 87.0% funded ratio of the actuarial accrued liability.

The funding objective of the State Plan is to establish contribution rates that, over time, will remain level as a percent of payroll. The contribution rate was developed to provide for current cost (i.e., normal cost expressed as a level percent of payroll) plus level percent of payroll amortizations of each layer of the unfunded liability over a specified period. The participant organizations to the State Plan have consistently funded the full amounts required based on the actuarial valuations and specific statutory provisions.

As disclosed in the State of Delaware’s Other Postemployment Benefits (OPEB) Fund Trust Schedules of Employer Allocations and OPEB Amounts by the Employer Report for the year ended June 30, 2023 (most recent available), the State had a net liability of $8.2 billion. The University’s contribution to the OPEB Fund in fiscal year June 30, 2023, of approximately $9,263,000 was approximately 2.5% of the $374,528,000 total annual required employer contributions to the plan.

(e) Participation in Other State Benefits

The University maintains health insurance benefits for its employee base through the State of Delaware. Premiums are established annually by the State based upon employee elections for coverages. The University remits premiums monthly to the State. For full-time employees, the University’s health plan coverage contribution averages 91 percent of the total premium, depending on the plan and coverage tier. The University also pays the cost of “employee-only” vision, full cost of dental coverage, standard long-term disability, and life insurance equal to the elected level of coverage. Medical insurance expense for 2024 and 2023 was approximately $77,960,000 and $68,940,000, respectively.

(13) Net Assets

The University's net assets as of June 30, 2024 and 2023 includes (in thousands):

		2024	2023
Without donor restrictions:			
Undesignated	$	336,218	371,969
Board designated endowment		463,431	440,629
Commitments for postemployment obligations		(515,307)	(447,680)
Commitments for interest rate swap agreements		(4,030)	(5,840)
Net investment in plant		1,279,041	1,232,015
Total net assets without donor restrictions	$	1,559,353	1,591,093
With donor restrictions:			
Contributions receivable:			
For operations, primarily instruction	$	6,178	4,310
For buildings		9,632	8,173
For endowment		4,819	5,404
Total contributions receivable		20,629	17,887
Amounts received subject to expenditures for specified purposes:			
Student aid and instruction		32,106	20,898
Research and other		17,218	19,381
Capital additions		75,843	60,299
Total expendable subject to purpose restrictions		125,167	100,578
Endowment earnings subject to future appropriations:			
General institutional support		602,111	568,996
Student aid		125,556	112,428
Instruction		190,096	172,014
Research and other		28,552	25,279
		946,315	878,717
Perpetual endowment funds – original gift corpus:			
General institutional support		71,886	71,641
Student aid and instruction		323,511	310,832
Research and other		38,110	37,335
		433,507	419,808
Other funds		4,150	2,649
Funds held in trust by others, primarily for general institutional support		86,541	80,629
Total net assets with donor restrictions	$	1,616,309	1,500,268

(Continued)

Net Assets Released from Donor Restrictions

Net assets were released from donor restrictions by incurring expenses satisfying the restricted purposes or by occurrence of other events specified by donors during the years ended June 30, 2024 and 2023 as follows (in thousands):

		2024	2023
Purpose restrictions accomplished – operating:			
Instruction and operations	$	6,127	7,385
Scholarships		736	3,481
Student services		1,759	1,289
Academic support		2,246	910
Other		6,132	4,938
Total purpose restrictions accomplished – operating	$	17,000	18,003
Purpose restrictions accomplished – non-operating:			
Capital asset additions	$	28,645	24,868

(14) Endowment

As of June 30, 2024, the University endowment consists of approximately 1,435 individual funds established for a variety of purposes. The endowment funds are subdivided into appropriate net asset classifications. The donor restricted endowment funds represent gifts with a stipulation by the donor that the principal not be expended. Board-designated endowment funds with and without donor restrictions represent funds where there is no requirement to maintain the principal.

(a) Interpretation of Relevant Law

Based upon its interpretation of the provisions of the State's enacted version of the Uniform Prudent Management of Institutional Funds Act (UPMIFA), the University classifies all donor restricted endowment funds as donor restricted net assets. At the time of appropriation by the University, and provided there are no additional purpose restrictions in place, with donor restricted net assets will be reclassified to without donor restricted net assets. The University considers donor restricted net assets at historical cost value of the original donor restricted endowment to be permanent.

(b) Return Objectives and Risk Parameters

The University has adopted investment and spending policies for endowment funds that attempt to provide in perpetuity financial support of the University's educational goals. Toward that end, the University's Board of Trustees, Investment Visiting Committee, and administration have a shared mission to maximize the endowment fund's total return consistent with the University's prudent investment risk constraints. Endowment funds include those assets of donor restricted funds that the University must hold in perpetuity or for a donor specified period as well as board-designated funds. Under this policy approved by the Board of Trustees, the endowment funds are invested in a manner that is intended to achieve an average annual real return of at least 5% over time while assuming an acceptable level of investment risk. Actual returns in any year may vary from that amount. To monitor the effectiveness of the investment strategy of endowment funds, performance goals are established and monitored related to benchmark indices and returns earned by comparable endowment funds.

(c) Investment Strategy

To satisfy its long-term rate of return objectives, the University employs a total-return strategy in which investment returns are achieved through both capital appreciation (realized and unrealized) and current income (interest and dividends). The University's investment policy includes a target asset allocation, well-diversified among suitable asset classes that is expected to generate, on average, the level of expected return necessary to meet endowment objectives while assuming a level of risk (volatility) consistent with achieving that return.

(d) Spending Policy

In accordance with the State's enacted version of UPMIFA, the University considers the following factors in making a determination to appropriate or accumulate donor restricted endowment funds: (1) the duration and preservation of the fund, (2) the purposes of the University and the donor restricted endowment fund, (3) general economic conditions, (4) the possible effect of inflation and deflation, (5) the expected total return from income and the appreciation of investments, (6) other resources of the University, and (7) the investment policies of the University.

The University endowment spending policy guidelines target an annual distribution in the range of 4.0% to 5.0% of the endowment pooled portfolio average market value over the 12 trailing quarters through December 31 of the year prior to the new fiscal year. The actual rate is set annually by the Board of Trustees and was 4.00% at June 30, 2024 and 2023.

In establishing this policy, the University considered the long-term expected return on its funds. Accordingly, over the long-term, the University expects the current spending policy to allow its endowment to grow at a rate in excess of inflation. This is consistent with the University's objective to maintain the purchasing power of the endowment funds held in perpetuity or for a specified term as well as to provide additional real growth through new gifts and investment return.

(e) Funds with Deficiencies

From time to time, the fair value of assets associated with individual donor restricted endowment funds may fall below the original gift amount maintained as net assets with donor restrictions. Deficiencies of this nature were approximately $23,000 and $234,000 as of June 30, 2024 and June 30, 2023, respectively. These deficiencies resulted from unfavorable market fluctuations.

(Continued)

(f) Net Asset Classification of Endowment Funds

Endowment net assets by type of fund consist of the following as of June 30, 2024 and 2023 (in thousands):

	2024		
	Without donor restrictions	**With donor restrictions**	**Total**
Donor restricted	$ —	1,376,349	1,376,349
Board designated	463,431	3,473	466,904
	$ 463,431	1,379,822	1,843,253

	2023		
	Without donor restrictions	**With donor restrictions**	**Total**
Donor restricted	$ —	1,295,230	1,295,230
Board designated	440,629	3,295	443,924
	$ 440,629	1,298,525	1,739,154

Board-designated with donor restrictions net assets represent the income on restricted gifts to the University that the Board of Trustees has designated as endowment, but which cannot reasonably be expended within a year. As of June 30, 2024, the amount of with donor restrictions net assets, which may be used for purposes of the University as determined by the Board of Trustees, was approximately $582,569,000. Additionally, $360,272,000 as of June 30, 2024, is determined to be with purpose restrictions as set forth by the donors.

Changes in endowment net assets for the years ended June 30, 2024 and 2023 (in thousands) are as follows:

		Without donor restrictions	With donor restrictions	Total
Endowment net assets, June 30, 2022	$	435,126	1,267,069	1,702,195
Total investment return		21,419	62,976	84,395
Contributions		34	12,800	12,834
Endowment spending distribution		(16,001)	(46,597)	(62,598)
Other changes, including life income fund and other transfers		51	2,277	2,328
Endowment net assets, June 30, 2023		440,629	1,298,525	1,739,154
Total investment return		39,697	117,525	157,222
Contributions		35	12,583	12,618
Endowment spending distribution		(16,930)	(49,882)	(66,812)
Other changes, including life income fund and other transfers		—	1,071	1,071
Endowment net assets, June 30, 2024	$	463,431	1,379,822	1,843,253

(15) Scholarship Allowance

The University provides financial assistance to eligible students to partially offset the direct costs of tuition, on campus housing, and meal contracts. These scholarship allowances are presented as a reduction of tuition and fees.

The table below identifies this financial assistance by source and by student classification for the years ended June 30, 2024 and 2023 (in thousands):

		2024			2023		
		Undergraduate	Graduate	Total	Undergraduate	Graduate	Total
Tuition:							
Unrestricted	$	149,806	34,741	184,547	144,680	33,610	178,290
Federal grants		1,051	3,367	4,418	1,073	3,093	4,166
State grants		19,755	818	20,573	17,922	771	18,693
Private gifts		4,469	1,501	5,970	4,220	1,580	5,800
Endowment		10,382	600	10,982	5,018	347	5,365
Total		185,463	41,027	226,490	172,913	39,401	212,314
Student aid expenses		3,537	4,410	7,947	4,146	3,905	8,051
Total	$	189,000	45,437	234,437	177,059	43,306	220,365

(16) Related Party Transactions

Per University policy, each member of the Board of Trustees and senior administration completes a conflict of interest policy disclosure statement on an annual basis and at such other times as a potential conflict of interest may arise. This policy requires, among other things, that senior administrators act in a manner consistent with their fiduciary duty and responsibilities to the University. Senior administrators and Trustees are to recuse themselves from participation in any University decision in which, by any reasonable standard, institutional or other connections could influence his or her independent judgement. Disclosure is required in writing of any association, relationship, business arrangement, or circumstance that might suggest to disinterested and objective observers that decisions were made contrary to the best interests of the University and for personal gain or the gain of family, affiliates, or non-University business associates at the expense of the University.

The University may, from time to time, do business with companies that may be associated, either directly or indirectly, with members of the University’s Board of Trustees or senior administrators. Although not material, the University believes that these transactions are executed on terms comparable to those available from unrelated parties and are in the best interest of the University.

(17) Contingencies

The University is party to certain claims and litigation arising in the ordinary course of business. In the opinion of management, the resolution of such claims and litigation will not materially affect the University’s consolidated balance sheets, statements of activities or cash flows.

The University receives significant financial assistance from the federal government including the sponsorship of federal research projects. Research grants and contracts normally provide for the recovery of direct and indirect costs, based on predetermined rates negotiated with the federal government. Indirect cost recovery rates from nonfederal sources may vary. Entitlement to these resources for the recovery of the applicable direct and related indirect costs is generally conditioned upon compliance with the terms and conditions of the grant or contract agreements and applicable federal regulations, including the expenditure of the resources for eligible purposes. Substantially all grants and contracts, and the University’s indirect cost rate, are subject to financial and compliance reviews and audits by the grantors.

(18) Subsequent Events

In connection with the preparation of the consolidated financial statements, the University evaluated subsequent events after the consolidated balance sheet date of June 30, 2024 through November 15, 2024, which was the date the consolidated financial statements were issued and determined no adjustments or disclosures were required.