

**LOYOLA UNIVERSITY MARYLAND, INC.**

Financial Statements

May 31, 2024 and 2023

(With Independent Auditors' Report Thereon)

**LOYOLA UNIVERSITY MARYLAND, INC.**

**Table of Contents**

	<b>Page(s)</b>
Independent Auditors' Report	1-2
Balance Sheets	3
Statements of Activities	4-5
Statements of Cash Flows	6
Notes to Financial Statements	7-26



KPMG LLP  
750 East Pratt Street, 18th Floor  
Baltimore, MD 21202

## Independent Auditors' Report

The Board of Trustees  
Loyola University Maryland, Inc.:

### *Opinion*

We have audited the financial statements of Loyola University Maryland, Inc. (the University), which comprise the balance sheets as of May 31, 2024 and 2023, and the related statements of activities 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 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 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 U.S. generally accepted accounting principles, 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 for one year after the date that the financial statements are issued.

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



In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of 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.

*KPMG LLP*

Baltimore, Maryland  
October 18, 2024

**LOYOLA UNIVERSITY MARYLAND, INC.**

Balance Sheets

May 31, 2024 and 2023

(Dollars in thousands)

<b>Assets</b>	<b>2024</b>	<b>2023</b>
Cash and cash equivalents	\$ 21,918	16,862
Student tuition receivables (net of allowance for doubtful accounts of \$1,150 in 2024 and \$995 in 2023)	4,947	4,642
Contributions receivable, net	4,400	6,246
Prepaid expenses and other assets	6,129	8,545
Investments	361,888	351,580
Student loan receivables, net	377	707
Land, buildings, and equipment, net	329,492	331,270
Operating lease right-of-use assets	5,778	5,924
Interest in perpetual trust	16,841	15,442
Total assets	\$ 751,770	741,218
<b>Liabilities and Net Assets</b>		
Liabilities:		
Accounts payable and accrued liabilities	\$ 18,021	16,807
Deferred tuition	4,117	6,319
Bonds payable, net	133,951	138,781
Operating lease liabilities	5,916	5,997
Other liabilities	4,942	3,685
U.S. government grants refundable	965	1,182
Total liabilities	167,912	172,771
Net assets:		
Without donor restrictions	379,678	381,376
With donor restrictions	204,180	187,071
Total net assets	583,858	568,447
Total liabilities and net assets	\$ 751,770	741,218

See accompanying notes to financial statements.

**LOYOLA UNIVERSITY MARYLAND, INC.**

Statements of Activities

Year ended May 31, 2024  
(with comparative totals for 2023)

(Dollars in thousands)

	<u>Without donor restrictions</u>	<u>With donor restrictions</u>	<u>Totals</u>	
			<u>2024</u>	<u>2023</u>
Operating revenues:				
Tuition and fees (net of tuition discounts of \$145,108 in 2024 and \$134,109 in 2023)	\$ 95,102	—	95,102	97,457
Auxiliary services	59,241	—	59,241	58,570
Contributions	3,665	1,548	5,213	4,088
Government grants and contracts	21,026	—	21,026	20,829
Other sources	3,516	—	3,516	2,701
Investment income	3,200	—	3,200	1,287
Endowment income designated for current operations	7,652	6,309	13,961	12,754
Net assets released from restrictions	7,477	(7,477)	—	—
Total revenues	<u>200,879</u>	<u>380</u>	<u>201,259</u>	<u>197,686</u>
Operating expenses:				
Instruction and research	67,435	—	67,435	62,799
Student services and public service	40,876	—	40,876	39,454
Academic support and library	17,741	—	17,741	17,290
Institutional support and fundraising	41,524	—	41,524	37,848
Auxiliary enterprises	43,309	—	43,309	42,323
Total expenses	<u>210,885</u>	<u>—</u>	<u>210,885</u>	<u>199,714</u>
Change in net assets from operating activities	<u>(10,006)</u>	<u>380</u>	<u>(9,626)</u>	<u>(2,028)</u>
Nonoperating activities:				
Contributions	258	4,102	4,360	5,501
Investment return, net of endowment spending	9,916	11,480	21,396	(12,937)
Digital Transformation project expenditures	(2,219)	—	(2,219)	—
Change in value of split interest agreements	8	1,421	1,429	(789)
Change in fair value of cash surrender values	4	67	71	(7)
Net assets released from restrictions	341	(341)	—	—
Change in net assets from nonoperating activities	<u>8,308</u>	<u>16,729</u>	<u>25,037</u>	<u>(8,232)</u>
Change in net assets	<u>(1,698)</u>	<u>17,109</u>	<u>15,411</u>	<u>(10,260)</u>
Net assets at beginning of year	<u>381,376</u>	<u>187,071</u>	<u>568,447</u>	<u>578,707</u>
Net assets at end of year	<u>\$ 379,678</u>	<u>204,180</u>	<u>583,858</u>	<u>568,447</u>

See accompanying notes to financial statements.

**LOYOLA UNIVERSITY MARYLAND, INC.**

Statement of Activities

Year ended May 31, 2023

(Dollars in thousands)

	<b>Without donor restrictions</b>	<b>With donor restrictions</b>	<b>Total</b>
<b>Operating revenues:</b>			
Tuition and fees (net of tuition discounts of \$134,109 in 2023)	\$ 97,457	—	97,457
Auxiliary services	58,570	—	58,570
Contributions	3,299	789	4,088
Government grants and contracts	20,829	—	20,829
Other sources	2,701	—	2,701
Investment income	1,287	—	1,287
Endowment income designated for current operations	7,115	5,639	12,754
Net assets released from restrictions	6,093	(6,093)	—
Total revenues	197,351	335	197,686
<b>Operating expenses:</b>			
Instruction and research	62,799	—	62,799
Student services and public service	39,454	—	39,454
Academic support and library	17,290	—	17,290
Institutional support and fundraising	37,848	—	37,848
Auxiliary enterprises	42,323	—	42,323
Total expenses	199,714	—	199,714
Change in net assets from operating activities	(2,363)	335	(2,028)
<b>Nonoperating activities:</b>			
Contributions	258	5,243	5,501
Investment return, net of endowment spending	(6,500)	(6,437)	(12,937)
Change in value of split interest agreements	24	(813)	(789)
Change in fair value of cash surrender values	(22)	15	(7)
Net assets released from restrictions	646	(646)	—
Change in net assets from nonoperating activities	(5,594)	(2,638)	(8,232)
Change in net assets	(7,957)	(2,303)	(10,260)
Net assets at beginning of year	389,333	189,374	578,707
Net assets at end of year	\$ 381,376	187,071	568,447

See accompanying notes to financial statements.

**LOYOLA UNIVERSITY MARYLAND, INC.**

Statements of Cash Flows

Years ended May 31, 2024 and 2023

(Dollars in thousands)

	<b>2024</b>	<b>2023</b>
Cash flows from operating activities:		
Change in net assets	\$ 15,411	(10,260)
Adjustments to reconcile change in net assets to net cash used in operating activities:		
Depreciation and amortization	12,615	12,095
Loss on disposal of assets	47	—
Contributions restricted for long-term investment	(5,572)	(4,911)
Net realized and unrealized gains on investments	(32,273)	3,496
Change in assets and liabilities:		
Student tuition receivables, net	(305)	(865)
Contributions receivable, net	1,846	(1,064)
Prepaid expenses and other assets	2,416	(5,712)
Operating lease right-of-use assets, net of operating lease liabilities	65	228
Interest in perpetual trust	(1,399)	803
Accounts payable and accrued liabilities	1,214	(158)
Deferred tuition	(2,202)	766
Other liabilities	1,257	133
U.S. government grants refundable	(147)	(265)
Net cash used in operating activities	(7,027)	(5,714)
Cash flows from investing activities:		
Purchases of land, buildings, and equipment	(11,274)	(10,039)
Sales of investments	51,008	42,237
Purchases of investments	(29,065)	(32,334)
Issuance of student loans	1	(1)
Proceeds from payments on student loans receivable	259	362
Net cash provided by investing activities	10,929	225
Cash flows from financing activities:		
Proceeds from contributions restricted for long-term investment	5,572	4,911
Payments on bonds payable	(4,440)	(4,285)
Proceeds from annuities	22	141
Net cash provided by financing activities	1,154	767
Net change	5,056	(4,722)
Cash and cash equivalents at beginning of year	16,862	21,584
Cash and cash equivalents at end of year	\$ 21,918	16,862
Supplemental cash flow information:		
Cash paid during the year for interest	\$ 5,411	5,604

See accompanying notes to financial statements.



**LOYOLA UNIVERSITY MARYLAND, INC.**

Notes to Financial Statements

May 31, 2024 and 2023

(Dollars in thousands)

**(1) Nature of Operations and Summary of Significant Accounting Policies**

**(a) Nature of Operations**

Loyola University Maryland, Inc. (the University or Loyola) is a private, nonprofit higher education institution located in Baltimore, Maryland. The University provides education and training services to approximately 4,000 undergraduate and 1,120 graduate students. The students are from approximately 45 states and 46 countries; and approximately 77% of undergraduate students lived on campus.

**(b) Basis of Presentation**

The financial statements of the University have been prepared on the accrual basis of accounting. The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and judgments that affect the reported amounts of assets and liabilities and disclosures of contingencies at the date of the financial statements and revenues and expenses recognized during the reporting period. Actual results could differ from those estimates.

The net assets of the University are classified into two classes based on the existence of donor-imposed restriction, as follows:

*Net Assets Without Donor Restrictions* – Net assets not subject to donor-imposed stipulations.

*Net Assets With Donor Restrictions* – Net assets subject to donor restrictions that expire through the passage of time or can be fulfilled or removed by actions pursuant to those restrictions.

Revenues are reported as increases in net assets without donor restrictions unless their use is limited due to donor-imposed restrictions. Expenses are reported as decreases in net assets without donor restrictions. Gains and losses on investments are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by donor stipulations or by law. Expirations of restrictions recognized on net assets (i.e., the donor-stipulated purpose has been fulfilled and/or the stipulated time period has elapsed) are reported as releases from net assets with donor restrictions to net assets without donor restrictions. Temporary restrictions on gifts to acquire long-lived assets are considered met in the period in which the assets are placed into service.

Assets and liabilities are presented in the order of liquidity on the balance sheets except that investments may include short-term securities that are available for operations.

**(c) Cash and Cash Equivalents**

The University considers all highly liquid investments with maturities of three months or less to be cash equivalents, except those held in the investment portfolio. Money market funds held within the investment portfolio are for long term purposes and not considered cash equivalents for the purposes of the statements of cash flows.

**(d) Investments**

Investments are stated at their estimated fair values, which are generally determined based on quoted or published market prices. The carrying value of certain alternative equity and fixed income investments held through limited partnerships and hedge funds are recorded at net asset value

## LOYOLA UNIVERSITY MARYLAND, INC.

### Notes to Financial Statements

May 31, 2024 and 2023

(Dollars in thousands)

(NAV) as provided by the fund managers or the general partners as a practical expedient to fair value, unless the University plans to sell an investment in the near term at a value other than NAV. These estimated values, which are evaluated for reasonableness by the University, may differ from the values that would have been used had a ready market existed and the differences could be significant. As of May 31, 2024 and 2023, the University had no plans or intentions to sell such investments.

Dividend income is recognized on the ex-dividend date. Noncash dividends are recorded at the fair value of the securities received. Interest income and expenses are recorded net of management fees, as incurred.

#### **(e) Student Loan Receivables**

Student loan receivables consist of loans to students, which are made from the University's loan funds and the Federal Perkins Loan Program. The loans are reported at their estimated net realizable value. The allowance for uncollectible loans was \$411 as of May 31, 2024 and 2023.

#### **(f) Land, Buildings, and Equipment**

Land, buildings, and equipment are stated at cost, if purchased, or at estimated fair value at date of gift, if donated. Generally, the costs of maintenance and repairs are charged to expense when incurred, while major acquisitions, additions, renewals, and betterments are capitalized. Depreciation of buildings and equipment is computed using the straight-line method over the estimated useful lives of the related assets.

#### **(g) Valuation of Long-Lived Assets**

Certain buildings and land improvements held and used are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. None of the University's long-lived assets were considered to be impaired as of May 31, 2024 and 2023.

#### **(h) Interest in Perpetual Trust and Split Interest Agreements**

Interest in perpetual trust represents resources neither in the possession nor under the control of the University, but held and administered by an outside fiscal agent, with the University deriving income from such funds as beneficiary. The amount recorded on the balance sheets represents 21% of the estimated fair value of the portfolio of underlying assets of the trust, which is the University's proportionate interest, and approximates the estimated cash flows of the trust.

The University's split-interest agreements are primarily annuity arrangements. Beneficiaries designated by the donor receive distributions from the University over their lives in accordance with the respective agreements. Liabilities under the split-interest agreements represent the present value of the estimated future distributions to beneficiaries over the terms of the agreements. Gains and losses associated with changes in the estimates of future distributions to beneficiaries are included in the statements of activities.

The University has \$270 and \$281 of future annuity payments included in other liabilities as of May 31, 2024 and 2023, respectively. In accordance with Maryland State law, the University has \$446

**LOYOLA UNIVERSITY MARYLAND, INC.**

Notes to Financial Statements

May 31, 2024 and 2023

(Dollars in thousands)

and \$427 of assets separately reserved for the annuity payments as of May 31, 2024 and 2023, respectively, which are included in investments on the balance sheets.

**(i) U.S. Government Grants Refundable**

Funds provided by the United States (U.S.) government under the Federal Perkins Loan Program are loaned to qualified students. Such funds are ultimately refundable to the U.S. government.

**(j) Revenue Recognition – Contracts with Customers and Accounts Receivable**

Revenue from student education, and residence and dining services (auxiliary services) is reflected net of reductions from student aid (tuition discounts) and is recognized as the services are provided over the academic year, which generally aligns with the University's fiscal year. Aid in excess of a student's tuition and fees, if any, is reflected as a reduction of auxiliary services revenues. Disbursements made directly to students for living or other costs are reported as an expense. Payments for student services are generally received prior to the commencement of each academic term and are reported as deferred tuition to the extent services will be rendered in the following fiscal year. Student aid does not include payments made to students for services rendered to the University.

The composition of student tuition and fees revenue was as follows for the years ended May 31, 2024 and 2023:

	<b>2024</b>	<b>2023</b>
Undergraduate	\$ 218,062	209,181
Graduate and other	22,148	22,385
Tuition discounts	(145,108)	(134,109)
	\$ 95,102	97,457

Auxiliary services revenue consisted of the following for the years ended May 31, 2024 and 2023:

	<b>2024</b>	<b>2023</b>
Residence and dining services, net of student aid	\$ 56,428	55,760
Athletics	1,774	1,628
Other	1,039	1,182
	\$ 59,241	58,570

Other sources revenue includes revenues from parking, student events, and other miscellaneous activities. Such revenues are recognized when goods or services are provided to students, faculty, employees, and visitors.

All consideration from contracts with customers is included in the transaction price. A student may be eligible for a refund upon withdrawal based on the last date of attendance. The period for refunds for

**LOYOLA UNIVERSITY MARYLAND, INC.**

Notes to Financial Statements

May 31, 2024 and 2023

(Dollars in thousands)

academic programs does not span fiscal periods, as such, refunds are recorded against revenue when they are made.

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

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

Contributions, including unconditional promises to give, are recognized as revenues based upon any donor-imposed restrictions, on the date of the donors' commitment or gift. Conditional promises to give are not recognized until the conditions on which they depend are substantially met. Contributions of assets other than cash are recorded at their estimated fair value at the date of the gift. Contributions to be received after one year are discounted using an appropriate rate for the expected period of collection. Amortization of the discount is recorded as additional contribution revenue. An allowance is made for estimated uncollectible contributions based on management's judgment and analysis of the creditworthiness of the donors, past collection experience, and other relevant factors.

State grant revenue is provided by the State of Maryland to support the general operations of the University. Funds are to be used in accordance with applicable law and revenue is recognized ratably over the fiscal year as qualifying expenses are incurred.

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 are recognized as the related qualifying expenses are incurred.

**(l) Income Tax Status**

The University is qualified as a not-for-profit organization under Section 501(c)(3) of the Internal Revenue Code, as amended. Accordingly, the University is not subject to income taxes except to the extent it has taxable income from activities that are not related to its exempt purpose. No provision for income taxes was required for fiscal years 2024 or 2023.

Management has analyzed the tax positions taken by the University, and has concluded that as of May 31, 2024 and 2023, there are no uncertain positions taken or expected to be taken that would require recognition of a liability (or asset) or disclosure in the financial statements. The University is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in progress.

**(m) Nonoperating Activities**

Nonoperating activities reflect transactions of a long-term investment or capital nature, including contributions restricted for acquisitions of facilities and equipment; endowment contributions; endowment return in excess of, or less than, the University's spending policy; changes in the value of split-interest agreements, including perpetual trusts held by others; and, transactions of an infrequent nature.

**LOYOLA UNIVERSITY MARYLAND, INC.**

Notes to Financial Statements

May 31, 2024 and 2023

(Dollars in thousands)

**(n) Concentration of Credit Risk**

Financial instruments, which potentially subject the University to concentrations of credit risk, consist primarily of cash and cash equivalents, investments, and pledges receivable. The University has several bank accounts as of May 31, 2024 and 2023 containing balances which exceed FDIC limits. Investments are held at creditworthy financial institutions. By policy, these investments are kept within authorized limits designed to prevent risks caused by concentration. Credit risk with respect to pledges receivable is generally limited; however, the University receives support from a large number of donors and has maintained long-term relationships with these donors. Approximately 65% and 74% of net pledges receivable were from two donors and one donor at May 31, 2024 and 2023, respectively.

**(o) Leases**

The University conducts certain operations in third-party facilities and determines if an arrangement contains a lease at the inception of a contract. Identified leases are measured, classified, and recognized at lease commencement.

Right-of-use assets represents the University's right to use an underlying asset for the lease term, if the term is greater than 12 months, and lease liabilities represent the University's obligation to make lease payments arising from the lease. Operating right-of-use assets and related lease liabilities are recognized at lease commencement based on the present value of lease payments over the lease term discounted using an appropriate incremental borrowing rate. The University has elected to use a risk-free rate over a term similar to that of the lease. Options to extend leases are reflected to the extent it is reasonably certain management will exercise the option.

Lease expense is recognized on a straight-line basis over the lease term. The University recognizes short-term lease payments as an expense on a straight-line basis over the lease term. Certain leases require payment for taxes, insurance, and maintenance. These variable lease payments are not included in the right-of-use assets or liabilities.

**(p) Current Environment**

The University applied for federal relief from the Federal Emergency Management Agency (FEMA) in December 2022 to cover eligible COVID-19 expenditures that were incurred from March 2020 through May 2022. In April 2024 and May 2023, FEMA obligated \$106 and \$3,385, respectively, in relief funding to the University which is recorded as a receivable in Prepaids and other assets as of May 31, 2024 and 2023, and is included in Government grants and contracts revenue. The \$106 and \$3,385 FEMA funding was collected by the University in July 2024 and October 2023 respectively.

**LOYOLA UNIVERSITY MARYLAND, INC.**

Notes to Financial Statements

May 31, 2024 and 2023

(Dollars in thousands)

**(2) Contributions Receivable**

Contributions receivable, net, are summarized as follows as of May 31, 2024 and 2023:

	<u>2024</u>	<u>2023</u>
Due within one year	\$ 2,933	4,894
One to five years	1,542	2,016
More than five years	409	—
	<u>4,884</u>	<u>6,910</u>
Less:		
Discount (interest rates ranging from 1.2% to 4.7%)	(73)	(121)
Allowance for doubtful accounts	<u>(411)</u>	<u>(543)</u>
	<u>\$ 4,400</u>	<u>6,246</u>

As of May 31, 2024, the University had bequest intentions and conditional promises to give aggregating \$37,184, which have not been recognized as assets or revenues. If received, these gifts will generally be restricted for financial aid, general operations, buildings and equipment, instruction and research as stipulated by the donors.

**(3) Fair Value Measurements**

The fair value of the University's financial instruments is determined based on the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date assuming the transaction occurs in the University's principal (or most advantageous) market. Those fair value measurements maximize the use of observable inputs.

The three levels of the fair value hierarchy are 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 or 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. Inputs are obtained from various sources including market participants, dealers and brokers.
- Level 3: Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the asset or liabilities.

**LOYOLA UNIVERSITY MARYLAND, INC.**

Notes to Financial Statements

May 31, 2024 and 2023

(Dollars in thousands)

The following methods and assumptions were used to estimate the fair value of each class of financial instruments:

*Investments:* The fair value of fixed income securities, common stock and equity mutual and other funds are determined using quoted market prices at the reporting date multiplied by the quantity on hand. The carrying amount of money market funds approximates the fair value because of the short maturity of these investments.

*Interest in perpetual trust:* The fair value is determined as the University's percentage interest in the year-end fair value of the underlying investment securities of the trust, which approximates the estimated cash flows of the trust to the University.

The following tables present assets that are measured at fair value on a recurring basis as of May 31, 2024 and 2023. Certain investments that are measured at fair value using NAV as a practical expedient have not been categorized in the fair value hierarchy and are included to permit reconciliation to the balance sheets.

	2024				Total
	NAV or equivalent	Level 1	Level 2	Level 3	
Financial assets:					
Investments:					
Money market funds	\$ —	46,035	—	—	46,035
Fixed income bond	—	23,616	—	—	23,616
Equity funds:					
Domestic and International developed	39,773	106,625	—	—	146,398
Emerging markets	12,754	—	—	—	12,754
Total equity funds	52,527	106,625	—	—	159,152
Hedge funds:					
Multi-strategy, including long/short	40,619	—	—	—	40,619
Nonagency residential mortgage-backed securities	4,241	—	—	—	4,241
Total hedge funds	44,860	—	—	—	44,860

**LOYOLA UNIVERSITY MARYLAND, INC.**

Notes to Financial Statements

May 31, 2024 and 2023

(Dollars in thousands)

		<b>2024</b>				
		<b>NAV or equivalent</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Private equity:						
Direct private debt and equity	\$	56,565	—	—	404	56,969
Real estate		7,286	—	—	—	7,286
Venture capital fund of funds		23,189	—	—	—	23,189
Total private equity		87,040	—	—	404	87,444
Other		—	—	—	781	781
Total investments		184,427	176,276	—	1,185	361,888
Other financial assets:						
Interest in perpetual trust		—	—	—	16,841	16,841
Total financial assets	\$	184,427	176,276	—	18,026	378,729

  

		<b>2023</b>				
		<b>NAV or equivalent</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Financial assets:						
Investments:						
Money market funds	\$	—	54,027	—	—	54,027
Fixed income bond		—	23,375	—	—	23,375
Equity funds:						
Domestic and International developed		33,080	85,229	—	—	118,309
Emerging markets		11,173	—	—	—	11,173
Total equity funds		44,253	85,229	—	—	129,482
Hedge funds:						
Multi-strategy, including long/short		41,649	—	—	—	41,649
Nonagency residential mortgage-backed securities		10,111	—	—	—	10,111
Total hedge funds		51,760	—	—	—	51,760



**LOYOLA UNIVERSITY MARYLAND, INC.**

Notes to Financial Statements

May 31, 2024 and 2023

(Dollars in thousands)

	<b>2023</b>				
	<b>NAV or equivalent</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
Private equity:					
Direct private debt and equity	\$ 59,404	—	—	555	59,959
Real estate	6,805	—	—	—	6,805
Venture capital fund of funds	25,462	—	—	—	25,462
Total private equity	91,671	—	—	555	92,226
Other	—	—	—	710	710
Total investments	187,684	162,631	—	1,265	351,580
Other financial assets:					
Interest in perpetual trust	—	—	—	15,442	15,442
Total financial assets	\$ 187,684	162,631	—	16,707	367,022

There were no transfers between levels during fiscal years 2024 and 2023. There were no purchases of level 3 financial assets.

**(4) Investments**

Investments are professionally managed by outside investment organizations subject to direction and oversight by a committee of the Board of Trustees. The Board of Trustees has established investment policies and guidelines, which cover asset allocation and performance objectives and impose various restrictions and limitations on the managers. These restrictions and limitations are specific to each asset classification and cover concentrations of market risk (at both the individual issuer and industry group levels), credit quality of fixed income and short-term investments, and various other matters.

Investments are exposed to certain risks, such as interest rate, credit, and overall market volatility. Due to the level of risk associated with certain investment securities, changes in the value of investment securities could occur in the near term, and these changes could materially affect the amounts reported in the accompanying financial statements.

Investment return is summarized as follows for the years ended May 31, 2024 and 2023:

	<b>2024</b>	<b>2023</b>
Income from interest and dividends	\$ 8,529	5,941
Net realized and unrealized gains (losses)	32,273	(3,496)
Investment fees	(2,131)	(1,341)
Total investment return	\$ 38,671	1,104

**LOYOLA UNIVERSITY MARYLAND, INC.**

Notes to Financial Statements

May 31, 2024 and 2023

(Dollars in thousands)

Investment return is included in the statements of activities as follows for the years ended May 31, 2024 and 2023:

	<b>2024</b>	<b>2023</b>
Operating	\$ 17,161	14,041
Nonoperating	21,396	(12,937)
Total investment return	\$ 38,557	1,104

The table below summarizes investments for which NAV as a practical expedient has been used to estimate fair value as of May 31, 2024 and 2023:

Investment	Fair value		Remaining average life	Unfunded commitments		Redemption frequency (if eligible)	Redemption notice period
	2024	2023		May 31, 2024	May 31, 2023		
Equity funds:							
International developed (a) \$	39,773	33,080	N/A	\$ —	—	Various	3-30 days
Emerging markets (b)	12,754	11,173	N/A	—	—	Monthly	6 days
Hedge funds:							
Multi-strategy (c)	32,714	23,930	N/A	4,000	—	Various	60-180 days
Nonagency residential mortgage-backed securities (d)	4,241	10,111	N/A	—	—	Quarterly	60 days
Long/short (e)	7,905	17,719	N/A	—	—	Various	30-105 days
Private equity diversified (f)	87,040	91,671	0-15 years	39,955	41,733	N/A	N/A
	\$ 184,427	187,684		\$ 43,955	41,733		

- (a) Investments in international developed equity funds invest in diversified portfolios of mid and smaller capitalization equity securities and equity securities listed on major international exchanges. The frequency of redemptions varies from semi-monthly to monthly.
- (b) Investments in equity and equity equivalent instruments outside the United States and specifically in emerging markets.
- (c) Investments in a variety of multi-strategy funds invest in activities, such as: event-driven funds with an emphasis on merger arbitrage, distressed debt, and capital structure arbitrage; master limited partnerships that mostly pertain to the use of natural resources; and, a customizable commingled fund

**LOYOLA UNIVERSITY MARYLAND, INC.**

Notes to Financial Statements

May 31, 2024 and 2023

(Dollars in thousands)

which operates as a collective investment trust that pools assets of various entities to create a larger, diversified portfolio of assets managed collectively in accordance with a common investment strategy. The frequency of redemption varies from daily to annually.

- (d) Investments in hedge funds that invest across the corporate capital structure and nonagency residential mortgage-backed securities. The investments include bank loans, high yield bonds, distressed securities, direct investments in private companies, domestic equities and convertible arbitrage. The University requested a partial redemption of an investment prior to May 31, 2023, of which \$2.5 million was received in October 2023. The University requested a full redemption of the same investment in October 2023, of which \$4.1 million was received in fiscal year 2024, \$2.1 million was received in July 2024 and the remaining amount is expected by the end of calendar year 2024.
- (e) Investments in hedge funds and other funds of funds invest in a variety of long and short funds where the underlying investments are primarily marketable securities. The frequency of redemption varies from monthly to multiyear lock-up, with a maximum of three years. The University requested a full redemption of an investment prior to May 31, 2023, of which \$11.4 million was received in the year ended May 31, 2024, and the remaining \$1.0 million is expected during the year ended May 31, 2025.
- (f) Investments in private equity funds that invest in diversified growth companies through various industries that mainly operate within the U.S., with the average remaining life of the funds varying from receiving redemptions as funds are available. Capital is distributed to investors as the funds' investments are liquidated over that time period.

**(5) Land, Buildings, and Equipment**

Land, buildings, and equipment, net, as of May 31, 2024 and 2023 consist of the following:

	<u>Useful lives</u>		<u>2024</u>	<u>2023</u>
Land and land improvements	0–10 years	\$	29,277	28,787
Buildings	50 years		495,026	487,880
Equipment, furniture, software, and other	5–7 years		45,157	44,830
Investment in Loyola/Notre Dame Library	50 years		12,106	12,106
Construction in progress	n/a		7,594	4,741
			<u>589,160</u>	<u>578,344</u>
Less accumulated depreciation			<u>(259,668)</u>	<u>(247,074)</u>
		\$	<u>329,492</u>	<u>331,270</u>

Depreciation expense was \$12,969 and \$12,428 for the years ended May 31, 2024 and 2023, respectively.

The Loyola/Notre Dame Library, Inc. (the Library), a separate legal corporation, was formed in February 1968 for the mutual benefit of the University and Notre Dame of Maryland University (Notre Dame). The Library building is situated on six acres of land between the two campuses. The land and the building, including improvements, were contributed in equal shares by Loyola and Notre Dame and are the

**LOYOLA UNIVERSITY MARYLAND, INC.**

Notes to Financial Statements

May 31, 2024 and 2023

(Dollars in thousands)

property of the Library. The Library has its own Board of Trustees consisting of twelve members: three from the University, three from Notre Dame, and six other members. The University and Notre Dame are required to financially support the Library's annual operations through payments of joint and use costs. Joint costs are equally shared and use costs are based on each institution's proportionate share of adjusted semester hours. The University incurred approximately \$3,359 and \$3,195 in joint and use costs for the Library during the years ended May 31, 2024 and 2023, respectively.

**(6) Bonds Payable and Other Debt Matters**

**(a) Bonds Payable**

*Bonds payable, net as of May 31, 2024 and 2023 consist of the following:*

	<b>2024</b>	<b>2023</b>
Maryland Health and Higher Education Facility Authority (MHHEFA) revenue bonds:		
Series 2012A:		
3.00% serial due October 2024, principal beginning October 2012	\$ —	890
Series 2014:		
3.25–5.00% serial due October 2034, principal beginning October 2027	13,065	13,065
4.00–5.00% term due October 2045, principal beginning October 2035	47,300	47,300
	60,365	60,365
Series 2019A:		
5.00% serial due October 2026, principal beginning October 2020	10,670	13,945
5.00% term due October 2049, principal beginning October 2045	20,630	20,630
	31,300	34,575
Series 2019B:		
2.31–3.35% serial due October 2034, principal beginning October 2022	19,710	19,985
3.65% term due October 2039, principal beginning October 2035	14,520	14,520
	34,230	34,505
Unamortized bond premium	9,017	9,456
Unamortized debt issuance costs	(961)	(1,010)
	\$ 133,951	138,781

## LOYOLA UNIVERSITY MARYLAND, INC.

### Notes to Financial Statements

May 31, 2024 and 2023

(Dollars in thousands)

Certain of the proceeds of the series 2019 bonds were used to fund an escrow account that was irrevocably placed with a trustee to meet the principal and interest payments of the Series 2012A bonds until their redemption. Therefore, neither the escrow account nor the refunded bonds are included on the balance sheets as of May 31, 2024 and 2023. The portion of the Series 2012A bonds that were legally defeased and the entire Series 2012B bonds that were redeemed are no longer obligations of the University. The remaining series 2012A and the serial 2014, 2019A and 2019B outstanding bonds are subject to redemption prior to maturity at the principal amount thereof plus accrued interest to the redemption date. The University is required to make sinking fund payments on October 1 of each year.

The non-financial covenants on the Series 2012A, 2014, 2019A and 2019B bonds restrict the sale of assets and include other requirements as defined in the agreement. The University was in compliance with its covenants as of May 31, 2024 and 2023.

Interest expense and net amortization of bond premium and debt issuance costs were \$5,061 and \$5,272 in 2024 and 2023, respectively. Interest expense was \$5,378 and \$5,573 in 2024 and 2023, respectively.

#### **Line of Credit**

The University entered into an agreement with a financial institution to provide a general use line of credit with a maximum available commitment totaling \$12,000 as of May 31, 2024 and 2023. This line of credit will be used, if necessary, for working capital and will remain open until December 18, 2024, unless extended. No portion of the line was utilized during fiscal years 2024 or 2023 and there were no outstanding amounts as of May 31, 2024 and 2023.

#### **(b) Principal Repayment Schedule**

Aggregate annual principal payments on the bonds (not including unamortized bond premium and debt issuance costs) over the next five fiscal years and thereafter are: \$3,695 in 2025, \$3,845 in 2026, \$3,995 in 2027, \$3,530 in 2028, \$3,650 in 2029, and \$107,180 thereafter.

#### **(7) Interest in Perpetual Trust**

In June 1996, the University received an interest in the Marion I. and Henry J. Knott Scholarship Fund, Inc., an irrevocable perpetual trust. Under the terms of the agreement, as amended, the University receives 21% of investment income earned on the trust into perpetuity. Underlying investment securities in the trust include cash and cash equivalents, fixed income mutual funds, equity securities, hedge funds and private equity funds. The University is to use the income distributed from the trust for scholarships for students in undergraduate studies.

The University received distributions from the scholarship trust of approximately \$497 and \$509 in 2024 and 2023, respectively. The change in value of the University's interest in the perpetual trust is recorded as a change in value of split interest agreements and was \$1,399 and (\$803) in 2024 and 2023, respectively.

**LOYOLA UNIVERSITY MARYLAND, INC.**

Notes to Financial Statements

May 31, 2024 and 2023

(Dollars in thousands)

**(8) Net Assets**

Net assets are comprised of the following as of May 31, 2024 and 2023:

	<b>2024</b>	<b>2023</b>
Without donor restrictions:		
Board designated endowments	\$ 150,687	140,772
Other funds	228,991	240,604
Total without donor restrictions	379,678	381,376
With donor restrictions:		
Donor restricted endowments:		
Financial aid	95,703	86,551
Instruction and research	74,093	66,366
General operations	101	94
Financial aid restricted	16,841	15,442
General operations	15,909	17,907
Buildings and equipment	397	173
Other, passage of time	1,136	538
Total with donor restrictions	204,180	187,071
Total	\$ 583,858	568,447

Releases from restriction were for financial aid and general operations of the University.

**(9) Endowment**

The University's endowment consists of approximately 340 individual funds established for a variety of purposes including both donor-restricted endowment funds and funds designated by the Board of Trustees to function as endowments. Net assets associated with endowment funds, including funds designated by the Board of Trustees to function as endowments, are classified and reported based on the existence or absence of donor-imposed restrictions. The University does not include pledges receivable, its interest in the perpetual trust, and charitable gift annuities as part of its endowment.

**(a) Interpretation of Relevant Law**

The Board of Trustees has interpreted the Uniform Prudent Management of Institutional Funds Act (UPMIFA) as requiring that donor-restricted endowment funds be managed with the long-term objective of at least maintaining the real value (after inflation) of the funds. The University classifies as donor restricted endowment net assets (a) the original value of gifts donated to the permanent endowment, (b) the original value of subsequent gifts to the permanent endowment, and (c) accumulations to the permanent endowment made in accordance with the directions of the applicable donor gift instrument at the time the accumulation is added to the fund. The remaining portion of the donor-restricted endowment fund includes the net endowment return on investments that have not been appropriated

**LOYOLA UNIVERSITY MARYLAND, INC.**

Notes to Financial Statements

May 31, 2024 and 2023

(Dollars in thousands)

for expenditure by the Board of Trustees in a manner consistent with the standard of prudence prescribed by UPMIFA. In accordance with UPMIFA, the University considers the following factors in making a determination to appropriate or accumulate donor-restricted endowment funds: duration and preservation of the fund, purposes of the endowment fund, general economic conditions, possible effect of inflation and deflation, expected total return from investments, other resources of the University, and investment policies.

Endowment net assets consist of the following as of May 31, 2024:

	<b>Without donor restrictions</b>	<b>With donor restrictions</b>	<b>Total</b>
Donor-restricted endowment funds:			
Original gifts	\$ —	111,835	111,835
Accumulated gains	—	58,062	58,062
Board-designated endowment funds	150,687	—	150,687
	\$ 150,687	169,897	320,584

Endowment net assets consist of the following as of May 31, 2023:

	<b>Without donor restrictions</b>	<b>With donor restrictions</b>	<b>Total</b>
Donor-restricted endowment funds:			
Original gifts	\$ —	106,428	106,428
Accumulated gains	—	46,583	46,583
Board-designated endowment funds	140,772	—	140,772
	\$ 140,772	153,011	293,783

**LOYOLA UNIVERSITY MARYLAND, INC.**

Notes to Financial Statements

May 31, 2024 and 2023

(Dollars in thousands)

Changes in endowment net assets for the years ended May 31, 2024 and 2023 are as follows:

	<u>Without donor restriction</u>	<u>With donor restrictions</u>	<u>Total</u>
Endowment net assets, May 31, 2022	\$ 147,278	154,539	301,817
Investment return	(141)	(42)	(183)
Contributions and transfers	—	4,903	4,903
Appropriation for expenditure	(6,365)	(6,389)	(12,754)
Endowment net assets, May 31, 2023	140,772	153,011	293,783
Investment return	16,754	18,603	35,357
Contributions and transfers	10	5,395	5,405
Appropriation for expenditure	(6,849)	(7,112)	(13,961)
Endowment net assets, May 31, 2024	\$ <u>150,687</u>	<u>169,897</u>	<u>320,584</u>

**(b) Funds with Deficiencies**

From time to time, the fair value of assets associated with an individual donor-restricted endowment fund may fall below the original value of the fund. Deficiencies of this nature were \$0 and \$85 as of May 31, 2024 and 2023, respectively.

**(c) Return Objectives and Risk Parameters**

The University has adopted investment and spending policies for endowment assets that attempt to provide a predictable stream of funding to programs supported by its endowment while seeking to maintain the purchasing power of the endowment assets. Under the investment policy, as approved by the Board of Trustees, the endowment assets are invested in a manner that is intended to produce results that exceed the price and yield results of a benchmark composed of S&P 500 and Barclays Capital Aggregate Bond indexes while assuming a moderate level of investment risk. The University expects its endowment funds, over three to five years, to provide an average annual real rate of return of at least 5%. Actual returns in any given year may vary from this amount.

**(d) Strategies Employed for Achieving Objectives**

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

**(e) Spending Policy and How the Investment Objectives Relate to Spending Policy**

The University has a policy of appropriating for a maximum distribution each year of up to 5% of its endowment funds' average fair value using the prior three years through the fiscal year-end 2 years



**LOYOLA UNIVERSITY MARYLAND, INC.**

Notes to Financial Statements

May 31, 2024 and 2023

(Dollars in thousands)

prior to the fiscal year end in which the distribution is planned. In establishing these policies, the University considered the expected return on its endowment.

**(10) Expenses**

The natural and functional classification of operating expenses for the year ended May 31, 2024 and 2023 are as follows:

	2024						Total
	Compensation and benefits	Materials, supplies, and professional development	Professional services and marketing	Plant operations and maintenance	Interest and depreciation	Other	
Instruction and research	\$ 50,810	5,854	3,987	3,832	2,485	1,475	68,443
Student services and public service	21,624	3,517	4,164	3,202	5,746	3,032	41,285
Academic support and library	8,906	1,159	4,016	1,854	1,577	372	17,884
Institutional support and fundraising	20,799	3,255	9,147	4,916	1,057	2,847	42,021
Auxiliary enterprises	8,500	920	19,936	4,007	7,567	2,541	43,471
Total expenses	<u>\$ 110,639</u>	<u>14,705</u>	<u>41,250</u>	<u>17,811</u>	<u>18,432</u>	<u>10,267</u>	<u>213,104</u>

  

	2023						Total
	Compensation and benefits	Materials, supplies, and professional development	Professional services and marketing	Plant operations and maintenance	Interest and depreciation	Other	
Instruction and research	\$ 46,976	5,343	2,845	4,095	2,413	1,127	62,799
Student services and public service	20,306	3,755	3,679	3,163	5,820	2,731	39,454
Academic support and library	8,628	1,218	3,895	1,733	1,523	293	17,290
Institutional support and fundraising	17,492	3,715	7,230	4,569	1,033	3,809	37,848
Auxiliary enterprises	8,217	811	19,043	4,165	7,467	2,620	42,323
Total expenses	<u>\$ 101,619</u>	<u>14,842</u>	<u>36,692</u>	<u>17,725</u>	<u>18,256</u>	<u>10,580</u>	<u>199,714</u>

Costs related to the operation and maintenance of physical plant, including depreciation of plant assets and interest on related debt, are allocated to program and supporting activities based upon use of facilities. The natural class of operation and maintenance of physical plant includes rent, utilities, repairs and maintenance, and other related expenses.

Direct fundraising expenses for the years ended May 31, 2024 and 2023 were \$4,420 and \$4,102, respectively.

Included in the amounts above for the year ended May 31, 2024 is \$2,219 of expenses related to the University's implementation of a new Enterprise Resource Planning Software system ("Digital Transformation project expenditures"). These expenses have been allocated based on their functional classification in the table above under Professional services and marketing. More information on the

**LOYOLA UNIVERSITY MARYLAND, INC.**

Notes to Financial Statements

May 31, 2024 and 2023

(Dollars in thousands)

University's Digital Transformation project expenditures are discussed below in footnote 13, *Commitments and Contingencies*.

**(11) Availability of Financial Assets for General Expenditures**

Resources available to the University to fund general expenditures, such as operating expenses, interest and principal payments on debt, and internally funded capital construction, have seasonal variations related to the timing of tuition billings, receipt of gifts and pledge payments, and transfers from the endowment. The University actively manages its resources, utilizing a combination of short, medium, and long-term operating investment strategies, to align its cash inflows with anticipated outflows, in accordance with policies approved by the Board of Trustees. As further described in Note 6, the University may draw upon a revolving line of credit (expires December 2024) to manage cash flows.

As of May 31, 2024 and 2023, existing financial assets and liquidity resources available within one year were as follows:

	<u>2024</u>	<u>2023</u>
Financial assets available for general expenditure within one year:		
Cash and cash equivalents	\$ 21,918	16,862
Operating investments	44,629	59,754
Liquidity resources:		
Revolving line of credit	12,000	12,000
Total	<u>\$ 78,547</u>	<u>88,616</u>

Additionally, the University has \$150,687 in board-designated endowment, of which approximately \$109,000 can be liquidated within one year, however, no liquidation is anticipated. The fiscal year 2025 spending from the endowment is estimated to be \$14,596.

**(12) Retirement Benefit Plan**

Retirement benefits are provided to eligible employees (participants), through direct payments to the defined contribution retirement plan. The University contributed an amount equal to 9% of the participant's eligible compensation for the years ended May 31, 2024 and 2023, respectively. Contributions under the plan are fully vested and retirement payments are limited to the amount of the participant's account. The University's contributions were approximately \$6,280 and \$5,889 in 2024 and 2023, respectively.

**(13) Commitments and Contingencies**

**(a) Leases**

The University leases classroom facilities, office space, student housing, vehicles, parking spaces and printing equipment under long term operating leases. The University holds no finance leases as of May 31, 2024 and 2023. Payments due under the lease contracts include fixed payments plus, for many of the University's leases, variable payments, including for property taxes, insurance, and common area maintenance.

**LOYOLA UNIVERSITY MARYLAND, INC.**

Notes to Financial Statements

May 31, 2024 and 2023

(Dollars in thousands)

For the years ended May 31, 2024 and 2023, the components of the lease expense are as follows:

	<b>2024</b>	<b>2023</b>
Operating lease cost	\$ 631	1,447
Variable lease cost	65	95
Short-term lease cost	89	74
Total lease cost	\$ 785	1,616

Other information related to leases after the adoption date of June 1, 2021 for the years ended May 31, 2024 and 2023 was as follows:

	<b>2024</b>	<b>2023</b>
Supplemental cash flow information:		
Operating cash flow from operating leases	\$ 1,038	1,130
ROU assets obtained in exchange for lease obligations	769	4,778
Reductions to ROU assets resulting from reductions to lease obligations	—	—
Weighted average remaining lease term (years)	7.4	7.5
Weighted average discount rate	3.11 %	2.56 %

Maturities of lease liabilities under noncancellable leases as of May 31, 2024 are \$1,046 in 2025, \$1,055 in 2026, \$1,015 in 2027, \$789 in 2028 and \$2,716 in 2029 and thereafter. Imputed interest and total operating lease liabilities are \$34 and \$5,916 as of May 31, 2024.

**(b) Other**

The University is subject to various claims, litigation, and other assessments in the normal course of its operations, and liabilities for loss contingencies are recorded when it is probable that a liability has been incurred and the amount can be reasonably estimated. Management of the University does not expect the ultimate resolution of these actions to have a material adverse effect on the University's financial position.

## LOYOLA UNIVERSITY MARYLAND, INC.

### Notes to Financial Statements

May 31, 2024 and 2023

(Dollars in thousands)

In April 2023, the University entered into a contract to implement their Enterprise Resource Planning software. The contract, which has a term of 10 years, requires the University to pay approximately \$11.4 million in subscription fees over the course of the 10-year period. In addition, the University has contracted with an outside consultant to assist in the implementation. That contract, which has an expected term of approximately 3 years, is estimated at \$8.0 million. Upon full implementation of the enterprise resource planning software which is planned for Fall of 2026, the University will no longer be using their current ERP system from which they currently pay approximately \$0.9 million per year. During the year ended May 31, 2024, the University incurred approximately \$4.1 million in costs related to the implementation of which \$1.9 million is capitalized and reflected in the balance sheet at year end.

#### **(14) Related Party Transactions**

Several members of the Board of Trustees are employed by organizations that provide services to the University, primarily banking and insurance services. All members of the Board of Trustees and Officers of the University are required to disclose annually any information about possible beneficial or adverse interests affecting the University including interests or family members and organizations in which the Board member or Officer (or member of his or her family) has significant management function or a significant ownership interest. Fees to companies that employed related parties totaled \$1,968 and \$1,909 in fiscal years 2024 and 2023, respectively. Certain gifts and pledges to the University are received annually from board members. All related party activity is conducted in accordance with the University's normal policies and procedures.

#### **(15) Subsequent Events**

On July 31, 2024, the University received a letter of intent from a third party to purchase the Timonium Graduate Center. The net book value of the property as of May 31, 2024 was approximately \$6.2 million and the University expects to record a gain on the sale in the year ended May 31, 2025.