

Consolidated Financial Statements and  
Report of Independent Certified Public  
Accountants

**Saint Joseph's University and Subsidiary**

May 31, 2023 and 2022

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**REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS**

To the Board and Trustees of  
Saint Joseph's University

**Opinion**

We have audited the consolidated financial statements of Saint Joseph's University and subsidiaries (the "University"), which comprise the consolidated statements of financial position as of May 31, 2023 and 2022, and the related consolidated statements of activities and cash flows for the years then ended, and the related notes to the financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the University as of May 31, 2023 and 2022, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

**Basis for opinion**

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

**Responsibilities of management for the financial statements**

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

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

**Auditor's responsibilities for the audit of the 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 auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is

not a guarantee that an audit conducted in accordance with US GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the 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.

*Grant Thornton LLP*

Philadelphia, Pennsylvania  
September 29, 2023

**Saint Joseph's University and Subsidiary**  
**CONSOLIDATED STATEMENTS OF POSITION**

**As of May 31, 2023 and 2022**

	<b>2023</b>	<b>2022</b>
<b>ASSETS</b>		
<b>Cash and cash equivalents</b>	\$ 93,510,036	\$ 88,103,671
<b>Accounts receivable</b>		
Students, net	12,028,401	6,071,358
Government grant receivable	2,176,309	660,875
Pledges, net	11,122,325	12,218,495
Student note receivables, net	3,009,779	-
Other	5,962,855	2,245,259
<b>Prepaid expenses and other</b>	9,691,826	7,599,624
<b>Right-of-use assets</b>	431,538	2,123,111
<b>Investments</b>	490,310,205	372,425,509
<b>Beneficial interest in trust</b>	122,870	-
<b>Deposits held by trustee</b>	194,584,372	127,682
<b>Property, plant and equipment, net</b>	672,318,949	388,875,271
Total assets	\$ 1,495,269,465	\$ 880,450,855
<b>LIABILITIES</b>		
<b>Accounts payable and accrued expenses</b>	\$ 31,579,864	\$ 24,110,446
<b>Deferred revenue</b>	19,617,346	11,579,091
<b>Student and other deposits</b>	1,864,744	1,051,985
<b>Lease liability</b>	335,103	2,032,634
<b>Refundable government grants and loans</b>	2,584,256	-
<b>Long-term debt</b>	558,977,370	200,076,118
Total liabilities	614,958,683	238,850,274
<b>Net assets</b>		
Without donor restrictions	593,462,706	418,494,108
With donor restrictions	286,848,076	223,106,473
Total net assets	880,310,782	641,600,581
Total liabilities and net assets	\$ 1,495,269,465	\$ 880,450,855

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

**Saint Joseph's University and Subsidiary**  
**CONSOLIDATED STATEMENTS OF ACTIVITIES**  
For the years ended May 31, 2023 and 2022

	May 31, 2023			May 31, 2022		
	Without Donor Restrictions	With Donor Restrictions	Total	Without Donor Restrictions	With Donor Restrictions	Total
<b>Operating revenues</b>						
Tuition and fees, net	\$ 166,694,774	\$ -	\$ 166,694,774	\$ 122,974,631	\$ -	\$ 122,974,631
Auxiliary enterprises, net	36,981,165	-	36,981,165	29,191,308	-	29,191,308
Private gifts and grants	5,339,432	5,420,765	10,760,197	2,745,799	2,955,475	5,701,274
Government grants	8,291,964	-	8,291,964	11,838,615	-	11,838,615
Investment income designated for current operations	10,814,150	8,868,278	19,682,428	6,297,689	5,714,108	12,011,797
Additional board-designated endowment designated for current operations	22,000,000	-	22,000,000	14,000,000	-	14,000,000
Other investment income	2,558,718	27,875	2,586,593	48,584	56,562	105,146
Other revenue	8,748,830	-	8,748,830	7,654,067	-	7,654,067
Net assets released from restricted funds	11,436,462	(11,436,462)	-	9,100,048	(9,100,048)	-
<b>Total operating revenues</b>	<b>272,865,495</b>	<b>2,880,456</b>	<b>275,745,951</b>	<b>203,850,741</b>	<b>(373,903)</b>	<b>203,476,838</b>
<b>Operating expenses</b>						
Instruction	79,785,674	-	79,785,674	64,415,790	-	64,415,790
Public service	548,504	-	548,504	531,638	-	531,638
Academic support	15,116,555	-	15,116,555	13,175,131	-	13,175,131
Student services	65,588,165	-	65,588,165	42,564,942	-	42,564,942
Institutional support	61,173,082	-	61,173,082	48,665,185	-	48,665,185
Research	9,079,342	-	9,079,342	3,549,948	-	3,549,948
Auxiliary enterprises	41,269,038	-	41,269,038	30,658,851	-	30,658,851
<b>Total operating expenses</b>	<b>272,560,360</b>	<b>-</b>	<b>272,560,360</b>	<b>203,561,485</b>	<b>-</b>	<b>203,561,485</b>
<b>Total change in net assets from operating activities</b>	<b>305,135</b>	<b>2,880,456</b>	<b>3,185,591</b>	<b>289,256</b>	<b>(373,903)</b>	<b>(84,647)</b>
<b>Non-operating revenues</b>						
Investment return, net of amounts designated for current operations	(32,605,891)	(8,716,860)	(41,322,751)	(22,512,116)	(7,995,342)	(30,507,458)
Endowment and other gifts	-	4,349,083	4,349,083	-	17,820,415	17,820,415
Gain (loss) on retirement of assets	127,211	-	127,211	(5,558)	-	(5,558)
Inherent contribution from acquisition	205,156,336	67,214,731	272,371,067	-	-	-
Institutional acquisition related expenses	-	-	-	(1,343,463)	-	(1,343,463)
Net assets released from restrictions	1,985,807	(1,985,807)	-	13,665,227	(13,665,227)	-
<b>Total change in net assets from non-operating activities</b>	<b>174,663,463</b>	<b>60,861,147</b>	<b>235,524,610</b>	<b>(10,195,910)</b>	<b>(3,840,154)</b>	<b>(14,036,064)</b>
<b>CHANGE IN NET ASSETS</b>	<b>174,968,598</b>	<b>63,741,603</b>	<b>238,710,201</b>	<b>(9,906,654)</b>	<b>(4,214,057)</b>	<b>(14,120,711)</b>
Net assets, beginning of year	418,494,108	223,106,473	641,600,581	428,400,762	227,320,530	655,721,292
Net assets, end of year	<u>\$ 593,462,706</u>	<u>\$ 286,848,076</u>	<u>\$ 880,310,782</u>	<u>\$ 418,494,108</u>	<u>\$ 223,106,473</u>	<u>\$ 641,600,581</u>

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

**Saint Joseph's University and Subsidiary**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
For the years ended May 31, 2023 and 2022

	<b>2023</b>	<b>2022</b>
<b>Cash flows from operating activities:</b>		
Change in net assets	\$ 238,710,201	\$ (14,120,711)
Adjustments to reconcile change in net assets to cash provided by operating activities:		
Depreciation and amortization	25,854,736	16,757,980
Allowance for doubtful accounts	(714,161)	59,325
Contributions restricted for long-term investment and capital	(1,985,807)	(13,676,048)
Net realized and unrealized losses on investments	15,956,708	14,672,159
Loss on beneficial interest in trust	3,827	-
Loss on retirement of assets	-	33,063
Cumulative effect of asset retirement obligation	126,954	169,592
Inherent contribution from acquisition	(272,371,067)	-
Change in operating assets and liabilities:		
Decrease in accounts receivable - student	2,606,207	4,313,894
Increase in accounts receivable - other	(595,607)	(705,039)
(Increase) decrease in pledges receivable	1,325,957	(1,644,320)
Increase in prepaid expenses	(2,083,963)	(3,292,662)
Increase in accrued expenses and other payables	257,983	1,035,616
Decrease in deferred revenue	(543,669)	(1,347,816)
Increase in student deposits	274,913	535,241
	<u>6,823,212</u>	<u>2,790,274</u>
<b>Net cash provided by operating activities</b>		
	<u>6,823,212</u>	<u>2,790,274</u>
<b>Cash flows from investing activities:</b>		
Purchases of investments	(206,568,468)	(73,073,002)
Proceeds from sales of investments	220,556,064	66,146,200
Purchase of property, plant and equipment	(22,875,891)	(19,535,951)
Proceeds from sale of property, plant and equipment	-	2,032,345
Deposits held by trustee	(194,456,690)	-
Cash contribution from acquisition	12,343,641	-
Student loans collected	218,022	-
	<u>(190,783,322)</u>	<u>(24,430,408)</u>
<b>Net cash used in investing activities</b>		
	<u>(190,783,322)</u>	<u>(24,430,408)</u>
<b>Cash flows from financing activities:</b>		
Proceeds from issuance of bonds	197,203,178	-
Repayment of bonds	(7,685,000)	(4,190,000)
Payment of bond closing costs	(1,431,751)	-
Contributions restricted for long-term investment and capital	1,985,807	13,676,048
Finance lease payments	(156,070)	(157,903)
Government refund for student loans	(549,689)	-
	<u>189,366,475</u>	<u>9,328,145</u>
<b>Net cash provided by financing activities</b>		
	<u>189,366,475</u>	<u>9,328,145</u>
<b>NET INCREASE (DECREASE) IN CASH</b>	<u>5,406,365</u>	<u>(12,311,989)</u>
Cash and cash equivalents - beginning of year	<u>88,103,671</u>	<u>100,415,660</u>
Cash and cash equivalents - end of year	<u>\$ 93,510,036</u>	<u>\$ 88,103,671</u>
<b>Supplemental data:</b>		
Interest paid	\$ 15,229,642	\$ 7,549,678
Capital assets acquired through accounts payable	\$ 1,312,171	\$ 1,024,989

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

**Saint Joseph's University and Subsidiary**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**  
**May 31, 2023 and 2022**

**NOTE A - DESCRIPTION OF BUSINESS**

Founded in 1851 in the Jesuit tradition of academic excellence, Saint Joseph's University (the "University" or "SJU") is a top-ranked Catholic University that provides a rigorous, student-centered education located on a 125-acre campus in western Philadelphia and eastern Montgomery County, Pennsylvania and a 36-acre campus less than five miles away in the University City section of Philadelphia. The University offers a wide array of academic programs designed so that each graduate enters the world with a competitive resume and global perspective. This is achieved through intense academic study led by thought-leading faculty scholars, a comprehensive campus experience and robust study abroad, service-learning, internship and co-op programs. Upon graduation, nearly all students are employed, pursuing advanced degrees or volunteering in prestigious service programs. A member of the Atlantic 10 Conference, SJU offers 20 Division I intercollegiate men's and women's sports. The University's alumni - over 70,000 strong - provide a powerful network that spans the globe. The consolidated financial statements include the balances and activities of a controlled subsidiary (Note Q).

The University has four principal academic colleges - the College of Arts and Sciences, the Erivan K. Haub School of Business, School of Education and Human Development and the School of Health Professions. The College of Arts and Sciences offers traditionally organized four-year programs leading to the degrees of Bachelor of Arts or Bachelor of Science and graduate programs leading to Master of Arts and Master of Science degrees. In addition, the school offers more flexibly scheduled programs leading to bachelor's degrees and shorter programs leading to associate degrees or certificates, as well as other opportunities for personal or career development. The Erivan K. Haub School of Business offers programs leading to degrees of Bachelor of Science, Master of Science or Master of Business Administration. The School of Education and Human Development brings together and builds upon dozens of established undergraduate, graduate, doctoral and certificate programs including an Ed.D. in Educational Leadership. The School of Health Professions includes the Philadelphia College of Pharmacy among other accredited programs added through the acquisition of the University of the Sciences in 2023 (Note P).

In total, the University offers over 79 undergraduate day majors, 72 minors, and over 11 degree completion and certificate programs including online options. Graduate programs include over 56 graduate and doctoral programs, with many programs offering both campus-based and online-delivery options. Special programs include study abroad, honors program, cooperative education program, summer scholars, service-learning and faith-justice studies.

The University has entered into an educational affiliation with the Barnes Foundation ("Barnes"). The affiliation will further the common educational mission of both institutions, allow the use of the Gallery building by the University for its fine arts program, enhance the Barnes' existing horticulture education program with University educational resources, and broaden the educational experience for Barnes and University students. The University has created a new minor concentration of study in horticulture and has assumed responsibility of the Barnes' horticulture program.



**Saint Joseph's University and Subsidiary**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED**

**May 31, 2023 and 2022**

**NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

***Basis of Accounting***

The University's consolidated financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America ("U.S. GAAP") for not-for-profit organizations. Under these principles, contributions or unconditional promises to give are recognized as revenues in the period that an unconditional promise to give is received at fair value, less an allowance for uncollectible pledges. Net assets, revenues, gains, expenses and losses are classified as without and with donor restrictions based on the existence or absence of donor-imposed restrictions as follows:

*Net Assets Without Donor Restrictions* - Net assets without donor restrictions are not subject to donor-imposed restrictions and generally result from revenues derived from providing services, receiving unrestricted contributions, receiving dividends and interest from investing in income-producing assets, and unrestricted gains and losses less expenses incurred in providing services, raising contributions and performing administrative functions. Net assets without donor restrictions may be and have been designated for specific purposes by action of the Board of Trustees.

*Net Assets With Donor Restrictions* - Net assets with donor restrictions result from either two scenarios: 1) contributions and other inflows of assets whose use by the University is limited by donor-imposed stipulations that either expire by passage of time or can be fulfilled and removed by actions of the University pursuant to those stipulations or by law; or 2) the corpus of contributions and other inflows of assets whose use by the University is limited by donor-imposed stipulations that neither expire by the passage of time nor can be fulfilled or otherwise removed by the University.

***Cash and Cash Equivalents***

The University considers all highly liquid investments with an original maturity date of 90 days or less to be cash equivalents.

***Investments***

The University invests in a variety of investment vehicles. In accordance with guidance on accounting for certain investments held by not-for-profit organizations, investments are recorded at fair value. Please see the detailed description of the relevant policies related to these investments in Note D to the consolidated financial statements.

Interest income, unrealized gains and losses on investments and realized gains and losses from the sale of investments are accounted for in the consolidated statements of activities in the net asset classification that holds the investments, except for income and gains and losses derived from investments of endowment and funds functioning as endowment, which are accounted for in the net asset classification designated by the donor or by law.

**Saint Joseph's University and Subsidiary**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED**

**May 31, 2023 and 2022**

***Property, Plant and Equipment***

Land, buildings, furniture and fixtures, equipment and library books are stated at cost, or fair value at the date of donation in the case of gifts. Depreciation is recorded using the straight-line method over the estimated useful lives of the assets; 40 to 75 years for buildings (buildings constructed or acquired subsequent to fiscal year 1990 have estimated useful lives of 50 years), 10 to 30 years for building improvements, seven to 10 years for land improvements and five to 15 years for furniture, fixtures and equipment. The costs of repairs and minor improvements are charged to expense in the consolidated statements of activities. Upon sale or retirement, the asset cost and related accumulated depreciation is removed from the consolidated statements of financial position and the resulting gain or loss is recorded in the consolidated statements of activities.

***Asset Retirement Obligation***

The University determined it has legal obligations to perform certain asset retirement activities associated with constructed facilities. The total accretion expense was \$194,653 and \$186,142 in May 31, 2023 and 2022, respectively. The total depreciation expense was \$10,673 and \$10,994 in May 31, 2023 and 2022, respectively. The total liabilities settled were \$80,587 and 31,386 for May 31, 2023 and 2022, respectively. The total asset retirement cost and obligation was \$363,480 and \$3,641,480, respectively, for May 31, 2023 and \$368,733 and \$3,527,414, respectively, for May 31, 2022 and are included in property, plant and equipment and accounts payable and accrued expenses, respectively, in the consolidated statements of financial position.

***Capitalized Software Costs***

Software costs included in property, plant and equipment related to purchased software are capitalized and depreciated on a straight-line basis over a five-year period.

***Bond Issuance Costs***

Bond issuance costs are amortized over the life of the related debt. Unamortized bond issuance costs were \$3,175,847 and \$552,631, as of May 31, 2023 and 2022, respectively.

***Early Retirement Benefits***

The University has provided early retirement benefits to certain full-time faculty and staff members. The University accrues for the present value of all future benefit payments for individuals who have accepted the University's early retirement offer. The liability is recorded in accounts payable and accrued expenses in the consolidated statements of financial position (see Note I).

***Tuition and Fee Revenue***

Student tuition and fees, revenue is recognized in the period the services are provided. Institutional scholarships awarded to students reduce the amount of revenue recognized. Revenue for tuition and fees for the summer terms are recognized as performance obligations are met. Tuition and fee revenue for the summer terms are included in deferred revenue at May 31, 2023 and 2022.

**Saint Joseph's University and Subsidiary**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED**

**May 31, 2023 and 2022**

The following table details the gross and net amounts of tuition and fees for years ended May 31:

	2023	2022
Tuition and fees	\$ 280,745,443	\$ 225,700,979
Less: scholarships and discounts	(114,050,669)	(102,726,348)
Tuition and fees, net	\$ 166,694,774	\$ 122,974,631

***Auxiliary Enterprises***

Auxiliary enterprises exist to furnish goods or services to students, faculty, staff, or incidentally to the general public. Fees charged for auxiliary enterprises are directly related to, although not necessarily equal to, the cost of the goods or services provided.

Auxiliary enterprises revenue includes activities for student housing and dining facilities, parking services, and other miscellaneous activities. Institutional scholarships specifically defraying the cost of room and board reduces the amount of revenue recognized.

Revenues for auxiliary enterprises are recognized as performance obligations are met over the academic term. Because the summer academic terms span two reporting periods, a portion of the revenue for the summer terms are included in deferred revenue at May 31, 2023 and 2022.

The following table details the gross and net amounts of auxiliary enterprises revenue for the years ended May 31:

	2023	2022
Auxiliary enterprises	\$ 37,838,541	\$ 29,877,168
Less: scholarships and discounts	(857,376)	(685,860)
Auxiliary enterprises, net	\$ 36,981,165	\$ 29,191,308

***Deferred Revenue***

Deferred revenue represents payments received prior to the start of the academic term. The following table depicts the activities for deferred revenue related to tuition for the years ended May 31:

	2023	2022
Balance - beginning of year	\$ 11,579,091	\$ 12,926,907
Refunds issued	(284,442)	(228,495)
Revenue recognized and included in balance - beginning of year	(10,962,020)	(12,423,750)
Cash received in advance of performance	19,284,717	11,304,429
Balance - end of year	\$ 19,617,346	\$ 11,579,091

The balance of deferred revenue at May 31, 2023 and 2022, less any refunds issued will be recognized as revenue over the academic term beginning on June 1, 2023 and 2022, respectively, as services are rendered.

**Saint Joseph's University and Subsidiary**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED**

**May 31, 2023 and 2022**

***Gifts and Grants***

Noncash gifts are recorded at fair value on the date of donation. Gifts of cash and other non-capital assets are reported as revenue without donor restrictions if the gifts were received with no donor restrictions or if the specified donor restrictions have been satisfied within the current fiscal year. Gifts are recorded as operating revenue with donor restrictions if they are received with donor stipulations that limit the use of the donated assets beyond the current fiscal year. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose for restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and are reported in the consolidated statements of activities as net assets released from restrictions.

Other sources of revenue not otherwise categorized are recognized in the fiscal year in which they were earned.

The University conducts sponsored program activity with agencies and departments of the federal government and other sub granting organizations. Such grant and contract revenue is recognized as related qualifying expenses are incurred. Amounts awarded to the University that related qualifying expenditures have not been incurred for are approximately \$5,300,000 and \$3,700,000 as of May 31, 2023 and 2022, respectively.

***Fundraising Costs***

Fundraising costs, which consist of conducting campaigns, special events and other activities involved with soliciting contributions for the years ended May 31, 2023 and 2022, were \$5,777,797 and \$6,214,367, respectively. These costs are recorded as institutional support expenses in the consolidated statements of activities.

***Concentration of Credit Risk***

Financial instruments that potentially subject the University to concentration of credit risk consist primarily of cash and cash equivalents and certificates of deposits.

The University has cash deposits at financial institutions in excess of the Federal Deposit Insurance Corporation limit; however, management does not believe that there is any significant risk of loss on any uninsured amounts. The University's management has assessed the credit risk with money market funds held at May 31, 2023 and 2022 and has determined that an allowance for the potential loss due to credit risk is not necessary.

***Non-operating Activities***

Non-operating activities include gains and losses on investments net of the endowment spending rule, contributions restricted for property, plant and equipment, inherent contribution related to acquisition as well as related expenses, gain or loss on sale or retirement of assets, and the release from restriction of contributions restricted for long-term purposes that have fulfilled their purpose given by the donor.

**Saint Joseph's University and Subsidiary**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED**

**May 31, 2023 and 2022**

***Income Taxes***

501(c) entity - Public Charity

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 University is exempt from federal income tax under Internal Revenue Code section 501(c)(3), though it is subject to tax on income unrelated to its exempt purpose, unless that income is otherwise excluded by the Code. The University 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 determined that there are no material uncertain tax positions that require recognition or disclosure in the financial statements

***Use of 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 disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**NOTE C - UNCONDITIONAL PROMISES AND PLEDGES**

The University recognizes unconditional promises and pledges as receivables and distinguishes between contributions received for each net asset category in accordance with donor-imposed restrictions.

Contributions received, including unconditional promises, are recognized as revenue when the donor's commitment is received. Unconditional promises are recorded at the estimated present value of the future cash flows, net of an allowance for doubtful accounts. Promises made that are designated for future periods or restricted by the donor for specific purposes are reported as support with donor restrictions. Conditional promises are recorded when donor conditions are substantially met.

Unconditional promises of gifts are included in the consolidated financial statements as pledges receivable and revenues of the appropriate net asset category. Pledges receivable over more than one year discounted to fair value of the future cash flows using a discount rate of 8.25%. There was an allowance for doubtful accounts related to pledges receivable of \$568,854 and \$396,038 at May 31, 2023 and 2022, respectively.

**Saint Joseph's University and Subsidiary**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED**

**May 31, 2023 and 2022**

The following table displays the details of net pledges receivable at May 31:

	<u>2023</u>	<u>2022</u>
In one year or less	\$ 4,282,222	\$ 4,028,462
Between one year and five years	9,170,911	8,776,598
Beyond five years	296,000	1,111,456
Less: present value discount	(2,057,954)	(1,301,983)
Less: allowance for uncollectible pledges	<u>(568,854)</u>	<u>(396,038)</u>
 Pledges, net	 <u>\$ 11,122,325</u>	 <u>\$ 12,218,495</u>

The following table summarizes the change in pledges receivable, net, during the years ended May 31:

	<u>2023</u>	<u>2022</u>
Balance - beginning of year	\$ 12,218,495	\$ 10,178,137
New pledges	5,305,472	7,530,048
Collections on pledges	(5,443,883)	(4,304,104)
Pledges written-off and change in allowance for uncollectible pledges	(201,787)	(730,038)
Decrease in discount to present value	<u>(755,972)</u>	<u>(455,548)</u>
 Balance - end of year	 <u>\$ 11,122,325</u>	 <u>\$ 12,218,495</u>

**NOTE D - INVESTMENTS**

The cost and fair value of the University's investments as of May 31, 2023 and 2022 are as follows:

	<u>2023</u>		<u>2022</u>	
	<u>Cost</u>	<u>Fair Value</u>	<u>Cost</u>	<u>Fair Value</u>
Short-term/money market Investments	\$ 2,815,751	\$ 2,815,751	\$ 1,775,086	\$ 1,775,086
Equity	246,428,946	248,373,311	183,297,447	184,924,081
Fixed income	198,872,325	174,704,365	140,594,658	124,499,101
Hedged capital	1,640,081	1,981,085	12,861,910	14,961,165
Private equity	39,789,280	48,951,165	25,721,220	34,161,360
Private realty and resources	14,761,066	12,235,332	10,519,761	10,952,309
Life income/annuity funds - equity and fixed income	<u>1,250,832</u>	<u>1,249,196</u>	<u>1,129,410</u>	<u>1,152,407</u>
 Total	 <u>\$505,558,281</u>	 <u>\$490,310,205</u>	 <u>\$375,899,492</u>	 <u>\$372,425,509</u>

The University's principal financial instruments subject to credit risk are its investments. The investments are managed by professional advisors subject to the University's investment policy. The degree and concentration of credit risk varies by type of investment.

**Saint Joseph's University and Subsidiary**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED**

**May 31, 2023 and 2022**

Detailed information of the fair value of assets, valued using net asset value ("NAV") or its equivalent (e.g., ownership interest in partners' capital to which a proportionate share of net assets is attributable) at May 31, 2023 and 2022 is as follows:

2023	Fair Value	Unfunded Commitments	Redemption Frequency (if Currently Eligible)
Total return assets			
Private equity	\$ 48,951,165	\$ 96,570,009	N/A
Inflation hedges			
Private realty and resources	12,235,332	3,090,926	N/A
All purpose hedges			
Hedged capital	<u>1,981,085</u>	<u>-</u>	90 to 365 Days
Total investments measured at NAV	<u>\$ 63,167,582</u>	<u>\$ 99,660,935</u>	
2022	Fair Value	Unfunded Commitments	Redemption Frequency (if Currently Eligible)
Total return assets			
Private equity	\$ 34,161,360	\$ 70,901,458	N/A
Inflation hedges			
Private realty and resources	10,952,309	2,510,671	N/A
All purpose hedges			
Hedged capital	<u>14,961,165</u>	<u>-</u>	90 to 365 Days
Total investments measured at NAV	<u>\$ 60,074,834</u>	<u>\$ 73,412,129</u>	

All investments have daily redemption, without a redemption-notification period, with the exception of the private equity partnership, private realty and resources partnerships and hedge funds listed above. Redemptions do not apply to the private equity and private realty and resources partnerships as they are closed vehicles and withdrawals will generally be upon the liquidation and termination of the partnerships. Redemptions on hedge funds are restricted to certain intervals ranging from quarterly to annually following an initial lock-down period. Additional descriptions of the investment categories used above include:

*Short-Term Investments/Money Market* - Includes assets held in cash, treasury securities, bank certificates of deposits or bankers' acceptances, and commercial paper with maturities of less than one year, or money market funds with similar holdings.

*Equity* - Includes investments in exchange traded funds and indices.

*Fixed Income* - Includes investments held in bond funds to hedge against inflation and equity market declines. This includes investments in U.S. bonds as well as non-U.S. bonds.

**Saint Joseph's University and Subsidiary**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED**

**May 31, 2023 and 2022**

*Hedged Capital* - Includes investments in duration hedged debt and related swaps and collateral held by hedge fund managers to support investments in derivative securities.

*Private Equity* - Includes limited partnership interests in private investment funds with an investment focus on venture capital, buyout opportunities and natural resources.

*Private Realty and Resources* - Includes limited partnership investments focused on real estate and natural resource investments.

*Life Income/Annuity Funds* - Includes investments in fixed income and charitable gift annuities.

Investment return reflected in the consolidated statements of activities is comprised of the following as of May 31, 2023 and 2022:

<u>2023</u>	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Dividends and interest on endowment, net of fees	\$ 8,443,071	\$ 7,873,314	\$ 16,316,385
Net realized and unrealized losses on endowment	<u>(8,257,927)</u>	<u>(7,617,064)</u>	<u>(15,874,991)</u>
Gain on endowment investments	185,144	256,250	441,394
Interest on other investments, net of fees	2,558,718	27,875	2,586,593
Net realized and unrealized gain (loss) on other investments	<u>23,115</u>	<u>(104,832)</u>	<u>(81,717)</u>
Total investment gain	2,766,977	179,293	2,946,270
Investment return designated for current operations:			
Interest on other investments	(2,558,718)	(27,875)	(2,586,593)
Additional board-designated endowment designated for current operations	(22,000,000)	-	(22,000,000)
Endowment investment return designated for current operations	<u>(10,814,150)</u>	<u>(8,868,278)</u>	<u>(19,682,428)</u>
Investment return net of amounts designated for current operations	<u>\$ (32,605,891)</u>	<u>\$ (8,716,860)</u>	<u>\$ (41,322,751)</u>



**Saint Joseph's University and Subsidiary**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED**

**May 31, 2023 and 2022**

<u>2022</u>	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Dividends and interest on endowment, net of fees	\$ 5,210,570	\$ 4,965,928	\$ 10,176,498
Net realized and unrealized losses on endowment	<u>(7,421,430)</u>	<u>(7,078,259)</u>	<u>(14,499,689)</u>
Loss on endowment investments	(2,210,860)	(2,112,331)	(4,323,191)
Interest on other investments, net of fees	48,584	56,562	105,146
Net realized and unrealized loss on other investments	<u>(3,567)</u>	<u>(168,903)</u>	<u>(172,470)</u>
Total investment loss	(2,165,843)	(2,224,672)	(4,390,515)
Investment return designated for current operations:			
Interest on other investments	(48,584)	(56,562)	(105,146)
Endowment investment return designated for current operations	(6,297,689)	(5,714,108)	(12,011,797)
Additional board-designated endowment designated for current operations	<u>(14,000,000)</u>	<u>-</u>	<u>(14,000,000)</u>
Investment return net of amounts designated for current operations	<u>\$ (22,512,116)</u>	<u>\$ (7,995,342)</u>	<u>\$ (30,507,458)</u>

The University's endowment funds represent \$488,913,440 and \$371,020,054 of the University's total investment portfolio of \$490,310,205 and \$372,425,509 at May 31, 2023 and 2022, respectively.

***Endowment Investment and Spending Policies***

The University has adopted investment and spending policies for endowment assets to provide long-term capital appreciation to supply funds for the specified purposes for which the original endowed gifts were given (e.g., scholarships, endowed chairs, operations, etc.). The time horizon for the endowment is perpetuity. The assets of the University are managed accordingly by external professional investment managers or invested in professionally managed funds, including funds of funds or managers of managers. The appointment of such managers or funds is the responsibility of the Finance and Audit Committee. Investment managers have full discretion over their investment programs, subject to appropriate constraints reflected in the University's guidelines or in the applicable investment management contracts. The primary objective of the investment managers is to maximize return, however, consideration of socially responsible investments and those that generate a positive social impact to promote the common good are an integral part of the decision-making process when investing in new pooled funds.

The long-term objective of the University is to achieve a total return equivalent to or greater than the expected return. The expected return is the sum of the annual spending rate, the long-term inflation rate, and any growth factor which the Finance and Audit Committee may deem appropriate. The spending rate for the years ended May 31, 2023 and 2022 was 4%. The annual spending rate was calculated as the percentage of the average market value of the trailing 12-calendar quarter balances of the Endowment Fund. Beginning with the February 2021 fiscal quarter, the annual spending rate is calculated as the percentage of the average market value of the trailing 12-fiscal quarter balances. In May 31, 2023 and 2022, the endowment payout under the spending formula totaled \$19,682,428 and \$12,011,797, respectively. To the extent that current yield is inadequate to meet the spending rule, a portion of cumulative realized net gains is available for current use.

**Saint Joseph's University and Subsidiary**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED**

**May 31, 2023 and 2022**

During the years ended May 31, 2023 and 2022, the University's Board authorized additional endowment payouts totaling \$22,000,000 and \$14,000,000, respectively from board designated endowment funds previously designated to support strategic initiatives and other board-approved objectives.

*Funds with Deficiencies* - From time to time, due to unfavorable market fluctuations, the fair value of some assets associated with individual donor-restricted endowment funds may fall below the level that donors require to be retained as a perpetual fund, while other assets maintain or exceed the level required. U.S. GAAP requires the aggregate amount of deficiencies to be reported as a reduction to net assets without donor restrictions in the consolidated statements of activities. At May 31, 2023, funds with deficiencies had a fair value of \$9,806,017 while the original gift was \$10,181,291. At May 31, 2022, funds with deficiencies had a fair value of \$2,473,033 while the original gift was \$2,611,833. Subsequent investment gains are used to restore the balance up to the fair value of the original gift. Subsequent gains above the original amount are recorded as net assets with donor restrictions.

Endowment net asset composition by type of fund as of May 31, 2023 and 2022, is as follows:

<u>2023</u>	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Endowment funds	\$ -	\$ 237,581,229	\$ 237,581,229
Funds with deficiencies	-	(375,274)	(375,274)
Board-designated funds:			
Maguire Campus project	73,888,173	-	73,888,173
Scholarship, quasi- and other endowment funds	<u>156,991,699</u>	<u>-</u>	<u>156,991,699</u>
Subtotal board-designated funds	<u>230,879,872</u>	<u>-</u>	<u>230,879,872</u>
Total endowment funds	<u>\$ 230,879,872</u>	<u>\$ 237,205,955</u>	<u>\$ 468,085,827</u>
<u>2022</u>	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Endowment funds	\$ -	\$ 182,128,413	\$ 182,128,413
Funds with deficiencies	-	(138,800)	(138,800)
Board-designated funds:			
Maguire Campus project	76,656,097	-	76,656,097
Scholarship, quasi- and other endowment funds	<u>99,074,666</u>	<u>-</u>	<u>99,074,666</u>
Subtotal board-designated funds	<u>175,730,763</u>	<u>-</u>	<u>175,730,763</u>
Total endowment funds	<u>\$ 175,730,763</u>	<u>\$ 181,989,613</u>	<u>\$ 357,720,376</u>

**Saint Joseph's University and Subsidiary**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED**

**May 31, 2023 and 2022**

Changes in endowment net assets for the years ended May 31, 2023 and 2022, were as follows:

<u>2023</u>	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ 175,730,763	\$ 181,989,613	\$ 357,720,376
Interest and dividends, net of fees	8,443,071	7,873,314	16,316,385
Net realized and unrealized losses	(8,257,927)	(7,617,064)	(15,874,991)
Contributions	-	3,273,772	3,273,772
Amounts designated by board	188,731	-	188,731
Endowment return designated for current operations	(10,814,150)	(8,868,278)	(19,682,428)
Endowments acquired	87,589,384	60,554,598	148,143,982
Additional board-designated amounts designated for current operations	<u>(22,000,000)</u>	<u>-</u>	<u>(22,000,000)</u>
Endowment net assets, end of year	<u>\$ 230,879,872</u>	<u>\$ 237,205,955</u>	<u>\$ 468,085,827</u>
<u>2022</u>	<u>Without Donor Restrictions</u>	<u>With Donor Restrictions</u>	<u>Total</u>
Endowment net assets, beginning of year	\$ 193,569,176	\$ 185,212,860	\$ 378,782,036
Interest and dividends, net of expenses	5,210,570	4,965,928	10,176,498
Net realized and unrealized losses	(7,421,430)	(7,078,259)	(14,499,689)
Contributions	4,670,136	4,603,192	9,273,328
Endowment return designated for current operations	(6,297,689)	(5,714,108)	(12,011,797)
Additional board-designated amounts designated for current operations	<u>(14,000,000)</u>	<u>-</u>	<u>(14,000,000)</u>
Endowment net assets, end of year	<u>\$ 175,730,763</u>	<u>\$ 181,989,613</u>	<u>\$ 357,720,376</u>

**NOTE E - DISCLOSURES ABOUT THE FAIR VALUE OF FINANCIAL INSTRUMENTS**

As defined in Accounting Standards Codification ("ASC") 820, fair value is based on the price that would be received from the sale of an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. In order to increase consistency and comparability in fair value measurements, ASC 820 establishes a fair value hierarchy that prioritizes observable and unobservable inputs used to measure fair value into three broad levels, which are described below:

- Level 1 - Quoted prices (unadjusted) in active markets for identical assets and liabilities to which the University has the ability to access at the measurement date. Instruments categorized as Level 1 primarily consist of a broadly traded range of equity funds;
- Level 2 - Inputs other than quoted prices included within Level 1 that are either directly or indirectly observable for the asset or liability, including quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in inactive markets, inputs other than quoted prices that are observable for the asset or liability, and inputs that are derived from observable market data by correlation or other means. The University had

**Saint Joseph's University and Subsidiary**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED**

**May 31, 2023 and 2022**

no financial assets or liabilities whose values are based on Level 2 inputs as of May 31, 2023 and 2022; and

Level 3 - Financial assets and liabilities whose values are based on prices or valuation techniques which require inputs that are both significant to the fair value measurement and unobservable. These inputs reflect management's own assumptions about the assumptions a market participant would use in pricing the assets or liabilities. The University had no financial assets or liabilities whose values are based on Level 3 inputs as of May 31, 2023 and 2022.

***Investments at NAV***

In determining fair value, the University utilizes valuation techniques that maximize the use of observable inputs and minimize the use of unobservable inputs to the extent possible, as well as considering counterparty credit risk in its assessment of fair value.

*Money Market Funds, Fixed Income Funds and Equity Funds* - Valued at the quoted NAV per share as determined by the funds' investment advisors based on the fair value of the underlying investments. Investments in alternative investment instruments reflect updated valuations of the underlying funds as determined by the funds' investment advisors. Life income and annuity investments are stated at fair value and include assets held by the University on which investment income is paid to designated beneficiaries until death, at which time the assets may be used by the University as designated by the donor. Investments received as gifts are recorded at fair value on the date of the gift. Gains or losses on investments are recognized as increases or decreases in unrestricted net assets unless their use is restricted by explicit donor stipulations or by law. Certain investments have been pooled to allow the investment managers greater flexibility in managing the portfolios. Income from pooled investments is allocated to separate accounts on a percentage basis.

*Beneficial Interest in Trusts* - Donors have established and funded trusts that are controlled by outside organizations. These funds are value based on the established fair value of the underlying assets or the present value of the future cash flows which are Level 3 inputs to fair value.

**Saint Joseph's University and Subsidiary**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED**

**May 31, 2023 and 2022**

Financial assets and liabilities carried at fair value as of May 31, 2023 and 2022 are classified in the tables below in one of the categories described above.

2023	Quoted Prices in Active Markets (Level 1)	Investments at NAV	Level 3	Balance as of May 31, 2023
<b>Assets</b>				
Deposits held by trustee	\$ 194,584,372	\$ -	\$ -	\$ 194,584,372
Beneficial interest in trust	-	-	122,870	122,870
Investments:				
Short term/money market	2,815,751	-	-	2,815,751
Equity	248,373,311	-	-	248,373,311
Fixed income	174,704,365	-	-	174,704,365
Hedged capital	-	1,981,085	-	1,981,085
Private equity	-	48,951,165	-	48,951,165
Private realty and resources	-	12,235,332	-	12,235,332
Life income/annuity funds - equity and fixed income	-	1,249,196	-	1,249,196
Total investments	425,893,427	64,416,778	-	490,310,205
Total assets	\$ 620,477,799	\$ 64,416,778	\$ 122,870	\$ 685,017,447
2022		Quoted Prices in Active Markets (Level 1)	Investments at NAV	Balance as of May 31, 2022
<b>Assets</b>				
Deposits held by trustee		\$ 127,682	\$ -	\$ 127,682
Investments:				
Short term/money market		1,775,086	-	1,775,086
Equity		184,924,081	-	184,924,081
Fixed income		124,499,101	-	124,499,101
Hedged capital		-	14,961,165	14,961,165
Private equity		-	34,161,360	34,161,360
Private realty and resources		-	10,952,309	10,952,309
Life income/annuity funds - equity and fixed income		-	1,152,407	1,152,407
Total investments		311,198,268	61,227,241	372,425,509
Total assets		\$ 311,325,950	\$ 61,227,241	\$ 372,553,191

**NOTE F - STUDENT LOANS RECEIVABLE**

Student loans, which are disbursed based on financial need, consist of loans granted by the University under federal government loan programs. Upon the earlier of graduation or no longer having full-time student status, the students have a grace period, which varies by loan type, until repayment of loans is

**Saint Joseph's University and Subsidiary**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED**

**May 31, 2023 and 2022**

required. Student loans begin accruing interest at the expiration of the grace period. Student loans, which are uncollateralized and carry default risk, are repaid directly to the University.

The availability of funds for loans under federal government revolving loan programs is dependent on reimbursements to the pool from repayments on outstanding loans. Funds advanced by the federal government of \$2,584,256 at May 31, 2023 are ultimately refundable to the government and are classified as liabilities in the consolidated statements of financial position. Outstanding loans cancelled under the program result in a reduction of the funds available for loan and a decrease in the liability to the government. At May 31, 2023, student loans consisted of \$3,009,779.

**NOTE G - PROPERTY, PLANT AND EQUIPMENT**

Property, plant and equipment balances are as follows at May 31:

	2023	2022
Land and land improvements	\$ 145,753,519	\$ 63,563,055
Buildings and improvements	729,384,496	516,866,609
Furniture and fixtures, equipment, software and library books	91,630,083	74,067,567
Construction in progress	16,148,600	17,274,180
	982,916,698	671,771,411
Less: accumulated depreciation	(310,597,749)	(282,896,140)
Property, plant and equipment, net	\$ 672,318,949	\$ 388,875,271

Depreciation expense for the years ended May 31, 2023 and 2022 was \$27,691,934 and \$18,135,060, respectively.

**NOTE H - SHORT-TERM BANK BORROWINGS**

The University has a line of credit with PNC Bank ("PNC") totaling \$50,000,000 as of May 31, 2023 and 2022. The line of credit is secured by the University's unrestricted revenues and has an expiration date of January 21, 2024. The line of credit bears interest at a rate of the One Month Bloomberg Short-Term Yield ("BSBY") plus eighty-five (85) basis points. There were no amounts outstanding at May 31, 2023 or 2022.

**NOTE I - ACCOUNTS PAYABLE AND ACCRUED EXPENSES**

Accounts payable and accrued expenses are as follows at May 31:

	2023	2022
Accounts payable	\$ 5,064,898	\$ 5,640,787
Accrued payroll	16,012,661	9,249,794
Early retirement benefits	6,120	34,235
Asset retirement obligation	3,641,481	3,527,415
Other accrued expenses	6,854,704	5,658,216
Total	\$ 31,579,864	\$ 24,110,447

**Saint Joseph's University and Subsidiary**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED**

**May 31, 2023 and 2022**

**NOTE J - LONG-TERM DEBT**

Long-term debt outstanding is as follows at May 31:

Description	Contractual Maturity	Interest Rate %	Type	2023	2022
Revenue Bonds, Series 2012, excluding unamortized premium of \$924,542 in 2023	2039	4.00-5.00	Fixed	\$ 31,000,000	\$ -
Revenue Bonds, Series 2015, excluding unamortized premium of \$2,094,228 in 2023	2037	3.00-5.00	Fixed	70,500,000	-
Revenue Bonds, Series 2017, excluding unamortized premium of \$3,446,610 in 2023	2048	4.00-5.00	Fixed	62,280,000	-
Revenue Bonds, Series 2020B	2024	1.65	Fixed	5,225,000	8,065,000
Revenue Bonds, Series 2020A, excluding unamortized premium of \$8,598,490 in 2023 and \$9,038,566 in 2022	2045	4.00	Fixed	73,690,000	73,690,000
Revenue Bonds, Series 2020C, excluding unamortized premium of \$15,770,013 in 2023 and \$17,498,883 in 2022	2039	4.00-5.00	Fixed	93,615,000	95,065,000
Revenue Bonds, Series 2022	2060	5.25-5.50	Fixed	200,000,000	-
Subtotal				536,310,000	176,820,000
Bond issuance cost, net of accumulated amortization				(5,009,885)	(2,847,996)
Premium				30,833,882	26,537,450
Discount				(3,156,627)	(433,336)
Total				<u>\$558,977,370</u>	<u>\$200,076,118</u>

The aggregate principal amounts due for each of the years ending May 31 are as follows:

Year	
2024	\$ 7,960,000
2025	8,250,000
2026	8,645,000
2027	9,085,000
2028	9,525,000
Thereafter	<u>492,845,000</u>
	<u>\$ 536,310,000</u>

**Series of 2012**

On September 12, 2012, the Pennsylvania Higher Education Facilities Authority (PHEFA) issued 2012 tax exempt bonds totaling \$31,000,000 on behalf of the University. Debt proceeds were used to fund project expenditures for the construction of a new academic facility in addition to payments for issuance costs and

**Saint Joseph's University and Subsidiary**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED**

**May 31, 2023 and 2022**

capitalized interest. Interest payments are made on a semi-annual basis every May 1 and November 1 through November 1, 2038.

***Series of 2015***

On February 25, 2015, PHEFA issued 2015 tax-exempt bonds totaling \$90,300,000 on behalf of the University. Debt proceeds were used to redeem the Series 2005A and the Series 2008 PHEFA bonds and to pay for certain debt issuance costs. Interest payments are made on a semi-annual basis every May 1 and November 1 through November 1, 2036.

***Series of 2017***

On April 26, 2017, the Philadelphia Authority for Industrial Development (PAID) issued 2017 tax-exempt bonds totaling \$62,280,000 on behalf of the University. Proceeds of the bond issue were used to finance cost of construction of a student residence hall, certain utility improvements, issuance costs, interest on the bonds during the period of construction and other capital expenditures for facilities owned and operated by the University. Interest payments are made on a semi-annual basis every May 1 and November 1 through November 1, 2047.

***Revenue Bonds, Series 2020B***

On March 18, 2020, the University settled on the issuance of \$13.6 million of Series B of 2020 fixed rate bonds ("Series 2020B") issued through the Philadelphia Authority for Industrial Development (the "Authority"). Proceeds of the bond issue were used to (a) refund the Saint Joseph's University Revenue Refunding Bonds of 2013 ("Series 2013"). The Series 2020B bonds have been rated A- by Standard and Poor's.

Interest payments are made on a semi-annual basis every May 1 and November 1 beginning with May 1, 2020 through November 1, 2023. Principal payments are made on an annual basis beginning November 1, 2020 through 2023. Annual principal payments range from \$0.8 million to \$2.8 million.

***Revenue Bonds, Series 2020A***

On March 18, 2020, the University settled on the issuance of \$73.7 million of Series 2020A tax-exempt fixed rate bonds ("Series 2020A") issued through the Authority. Proceeds of the bond issue were used to refund the Saint Joseph's University Revenue Refunding Bonds of 2016 ("Series 2016"), 2015B ("Series 2015B"), and 2015A ("Series 2015A"). This fixed 4.0% rate debt has a call option on November 1, 2029. The Series 2020A bonds have been rated A- by Standard and Poor's.

Interest payments are made on a semi-annual basis every May 1 and November 1 beginning with May 1, 2020 through November 1, 2045. Principal payments are made on an annual basis beginning November 1, 2038 through 2045. Annual principal payments range from \$2.2 million to \$11.5 million.

***Revenue Bonds, Series 2020C***

On August 3, 2020, the University settled on the issuance of \$98.9 million of Series C of 2020 fixed rate bonds ("Series 2020C") issued through the Authority. Proceeds of the bond issue were used to refund the Saint Joseph's University Revenue Refunding Bonds of 2010A. The Series 2020C bonds have been rated A- by Standard and Poor's.

Interest payments are made on a semi-annual basis every May 1 and November 1 beginning with November 1, 2020 through 2040. Principal payments are made on an annual basis beginning November 1, 2020 through 2040. Annual principal payments range from \$0.4 million to \$12.8 million.



**Saint Joseph's University and Subsidiary**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED**

**May 31, 2023 and 2022**

**Revenue Bonds, Series 2022**

On November 30, 2022, the University settled on the issuance of \$200 million of Series 2022 fixed rate bonds ("Series 2022") issued through the Authority. Proceeds of the bond issue are to be used to for a series of campus master plan projects. The Series 2022 bonds have been rated A- by Standard and Poor's.

Interest payments are made on a semi-annual basis every May 1 and November 1 beginning with May 1, 2023 through 2061. Principal payments are made on an annual basis beginning May 1, 2047 through 2061. Annual principal payments range from \$8.9 million to \$19.0 million.

The University is required to meet certain liquidity and net revenue covenants as part of the Series 2012, Series 2015, and Series 2017 bonds. The University is in compliance with these financial covenants as of May 31, 2023.

**NOTE K - NET ASSETS**

The composition of net assets is as follows for the years ended May 31:

	2023	2022
Without donor restrictions	\$ 593,462,706	\$ 418,494,108
With donor restrictions for time or purpose:		
Contributions and endowment income for instruction, research and support	99,090,226	87,202,286
Contributions and endowment income for property, plant and equipment	32,254,198	32,342,933
	131,344,424	119,545,219
With donor restrictions in perpetuity	155,503,652	103,561,254
Total net assets	\$ 880,310,782	\$ 641,600,581

Net assets released from restrictions are as follows for the years ended May 31:

	2023	2022
Net assets released from endowment payout	\$ 6,711,018	\$ 5,403,813
Net assets released from other restricted operating funds	4,725,444	3,696,235
Operating net assets released from restrictions	11,436,462	9,100,048
Non-operating net assets released from restrictions	1,985,807	13,665,227
Total net assets released from restrictions	\$ 13,422,269	\$ 22,765,275

**Saint Joseph's University and Subsidiary**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED**

**May 31, 2023 and 2022**

**NOTE L - FINANCIAL ASSETS AND LIQUIDITY RESOURCES**

The University's practice is to structure its financial assets to be available as its general expenses, liabilities, and obligations come due. In addition to financial assets available to meet general expenditures over the next year, the University's goal is to operate with a balanced budget and anticipates collecting sufficient revenue to cover general expenditures. Financial assets are unavailable when illiquid or not convertible to cash within one year. Other considerations of illiquid assets are perpetual endowments and accumulated earnings net of appropriations within one year, amounts restricted by donors for specific activities, amounts limited by the University's Board of Trustees for capital and operating purposes, and student loans receivable. The University considers investment income without donor restrictions, appropriated earnings from donor-restricted and board-designated endowments, contributions without donor restrictions and contributions with donor restrictions for current operating activities to be available to meet cash needs for general expenditures. As of May 31, 2023 and 2022, respectively, existing financial assets available within one year were as follows:

	2023	2022
Financial assets:		
Cash and cash equivalents	\$ 93,510,036	\$ 88,103,671
Student accounts receivable, net	12,028,401	6,071,358
Other receivables	8,139,164	2,906,134
Pledges receivable, net, due within one year	4,282,222	4,028,462
Total financial assets	117,959,823	101,109,625
2024 and 2023 endowment distribution	20,211,858	13,234,432
Total financial assets available within one year	\$ 138,171,681	\$ 114,344,057

The University's endowment funds consist of donor-restricted and board-designated endowment funds. Income from donor-restricted endowments is restricted for specific purposes and, therefore, is not available for general expenditure. The University had \$230,879,872 and \$175,730,763 of board-designated endowment funds as of May 31, 2023 and 2022, respectively, that are not included in the table above, but, with the approval of the Board of Trustees, could be made available.

The University maintains a line of credit in the amount of \$50,000,000 that could be drawn upon to meet general expenditures (Note H).

**Saint Joseph's University and Subsidiary**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED**

**May 31, 2023 and 2022**

**NOTE M - EXPENSES BY NATURAL AND FUNCTIONAL CLASSIFICATION**

The University's primary activity is academic instruction and support. Facilities operation and maintenance, interest, and depreciation are allocated among functional classifications based on usage of space, square footage, building costs, and usage of debt proceeds. Salaries and benefits are allocated based on time and effort spent in a certain area. All other costs are charged directly to the appropriate functional category.

Expenses by natural and functional classification are as follows for the years ended May 31, 2023 and 2022:

2023	Instruction	Public Service	Academic Support	Student Services	Institutional Support	Research	Auxiliary Enterprises	Total
Salaries and benefits	\$ 58,841,953	\$ 284,437	\$ 6,423,267	\$ 39,697,090	\$ 28,141,291	\$ 4,129,019	\$ 3,943,354	\$ 141,460,411
Supplies and purchased services	10,726,711	249,220	4,138,299	17,096,659	24,404,421	4,163,097	21,612,210	82,390,617
Utilities	2,391,103	-	504,589	657,136	410,844	-	3,530,018	7,493,690
Interest	2,378,133	-	690,426	1,150,709	3,312,087	-	7,824,826	15,356,181
Depreciation and amortization	5,447,774	14,847	3,359,974	6,986,571	4,904,439	787,226	4,358,630	25,859,461
<b>Total expenses</b>	<b>\$ 79,785,674</b>	<b>\$ 548,504</b>	<b>\$ 15,116,555</b>	<b>\$ 65,588,165</b>	<b>\$ 61,173,082</b>	<b>\$ 9,079,342</b>	<b>\$ 41,269,038</b>	<b>\$ 272,560,360</b>
2022	Instruction	Public Service	Academic Support	Student Services	Institutional Support	Research	Auxiliary Enterprises	Total
Salaries and benefits	\$ 52,732,856	\$ 312,733	\$ 6,311,274	\$ 19,842,805	\$ 25,655,242	\$ 1,482,385	\$ 3,373,313	\$ 109,710,608
Supplies and purchased services	6,746,613	204,532	2,645,178	18,561,222	18,337,051	2,048,681	16,694,681	65,237,958
Utilities	1,245,418	-	262,818	342,228	216,660	-	2,100,324	4,167,448
Interest	1,185,878	-	344,287	573,812	1,670,595	-	3,901,923	7,676,495
Depreciation and amortization	2,505,025	14,373	3,611,574	3,244,875	2,785,638	18,882	4,588,609	16,768,976
<b>Total expenses</b>	<b>\$ 64,415,790</b>	<b>\$ 531,638</b>	<b>\$ 13,175,131</b>	<b>\$ 42,564,942</b>	<b>\$ 48,665,186</b>	<b>\$ 3,549,948</b>	<b>\$ 30,658,851</b>	<b>\$ 203,561,485</b>

**NOTE N - RETIREMENT PLAN**

The University has a contributory post-retirement benefit plan for all full-time employees under which the University makes annual contributions for the benefit of the participant to the Teachers Insurance Annuity Association of America - College Retirement Equities Fund ("TIAA-CREF"). The University matched employee's contributions up to 3% and contributed an additional 7% of an eligible employee's salary irrespective of the employee's contribution, in May 31, 2023 and 2022. Total retirement plan expense was \$8,380,030 and \$5,794,647 in May 31, 2023 and 2022, respectively.

**NOTE O - LEASES**

Amounts reported in the consolidated statements of financial position as of May 31 were as follows:

	2023	2022
Operating ROU assets	\$ 186,512	\$ 1,808,242
Finance ROU assets	245,026	314,869
<b>Total ROU assets</b>	<b>\$ 431,538</b>	<b>\$ 2,123,111</b>

**Saint Joseph's University and Subsidiary**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED**

**May 31, 2023 and 2022**

	2023	2022
Operating lease liability	\$ 186,512	\$ 1,808,242
Finance lease liability	148,591	224,392
Total lease liability	\$ 335,103	\$ 2,032,634

The components of lease cost for the years ended May 31 were as follows:

	2023	2022
Finance lease expense:		
Amortization of ROU assets	\$ 150,112	\$ 158,852
Interest on lease liabilities	9,586	21,940
Operating lease expense	2,116,369	1,867,010
Short-term lease expense	39,000	78,000
Total lease expense	\$ 2,315,067	\$ 2,125,802

	2023	2022
Cash paid for amounts included in the measurement of lease liabilities:		
Finance leases - financing cash flows	\$ 156,071	\$ 158,069
Finance leases - operating cash flows	\$ 9,586	\$ 21,940
Operating leases - operating cash flows	\$ 2,116,369	\$ 1,867,010

ROU assets obtained in the exchange for lease liabilities:		
Finance leases	\$ 80,270	\$ 8,772

Weighted-average remaining lease terms (in years)		
Finance leases	3.2	2.0
Operating leases	3.8	1.0

Weighted-average discount rate		
Finance leases	4.41%	5.40%
Operating leases	1.41%	3.25%

Maturities of lease liabilities as of May 31, 2023 were as follows:

	Operating	Finance
2024	\$ 61,586	\$ 63,915
2025	49,247	39,261
2026	49,247	29,119
2027	49,247	17,842
2028	-	8,409
Lease liability - undiscounted	209,327	158,546
Present value discount	(22,815)	(9,955)
Lease liability	\$ 186,512	\$ 148,591

**Saint Joseph's University and Subsidiary**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED**

**May 31, 2023 and 2022**

The University has elected not to recognize ROU assets and lease liabilities for space and equipment leases that have a lease term of 12 months or less.

**NOTE P - ACQUISITION OF THE UNIVERSITY OF THE SCIENCES**

On June 1, 2022, the University completed the acquisition of the University of the Sciences in Philadelphia. The University assumed all assets and liabilities of the University of the Sciences and no consideration was exchanged in connection with the acquisition. The University of the Sciences was a nonprofit independent institution of higher education.

The following table summarized the fair value of the assets acquired and liabilities assumed at the acquisition date:

Cash and cash equivalents	\$ 12,343,641
Accounts receivable, net	15,944,100
Prepaid expenses and other assets	435,944
Investments	147,829,000
Beneficial interest in trusts	126,697
Property plant and equipment, net	<u>288,261,936</u>
 Total assets	 464,941,318
 Accounts payable and accrued expenses	 7,097,369
Deferred revenue	8,581,924
Student and other deposits	537,846
Refundable government grants and loans	3,133,945
Lease liability -operating	427,705
Long-term debt	<u>172,791,462</u>
 Total liabilities	 <u>192,570,251</u>
 Net assets acquired	 <u>\$ 272,371,067</u>

**NOTE Q - COMMITMENTS AND CONTINGENCIES**

Various lawsuits, claims and other contingencies arise in the ordinary course of the University's educational activities. Commitments related to multi-year construction projects through 2025 are approximately \$9,080,000 as of May 31, 2023.

All funds expended by the University in connection with government grants and contracts are subject to audit by government agencies. In the opinion of management, any cost disallowances resulting from these audits would not have a material impact on the University's consolidated financial statements.

**Saint Joseph's University and Subsidiary**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED**

**May 31, 2023 and 2022**

**NOTE R - RELATED PARTY TRANSACTIONS**

***Delaware Valley Educational Telecommunications Network***

In 1986, the University entered into an agreement with a 501(c)(3) tax-exempt organization, The Source for Learning, Inc., to form a Pennsylvania nonprofit corporation, Delaware Valley Educational Telecommunications Network ("DNETN"). In 2009, DNETN submitted an application to the Internal Revenue Service ("IRS") to have its tax-exempt status as a 501(c)(4) organization recognized by the IRS retroactive to the date of its formation in 1986. DNETN was granted tax-exempt status as a 501(c)(4) organization.

DNETN has received approval from the Federal Communications Commission ("FCC") for two educational broadband service channels. DNETN has entered into an agreement to lease the excess capacity of these channels to Clearwire Spectrum Holdings II, LLC (acquired by Sprint in November 2013). The agreement, which commenced in January 2008, is for a term of 30 years. Revenue under this agreement is being recognized on a pro-rata basis over the lease term, with 75% being provided to the University and the remaining 25% being provided to The Source for Learning, Inc.

DNETN is governed by a three-person board, two members from the University and one member from The Source for Learning, Inc. The University has a controlling interest in DNETN and has included DNETN's balances and activities in the consolidated financial statements. All intercompany balances have been eliminated in consolidation. As of May 31, 2023 and 2022, respectively, \$130,888 and \$115,238 in cash and cash equivalents, \$566,989 and \$511,023 in advance to non-controlling affiliate (included in prepaid expenses), \$130,878 and \$115,238 in accounts payable and accrued expenses, and \$566,989 and \$511,023 in deferred revenue are included in the University's consolidated financial statements.

DNETN's revenues and expenses are reflected in other income and institutional support, respectively, in the University's consolidated statements of activities. As DNETN did not have any net assets attributable to the noncontrolling affiliate at May 31, 2023 and 2022, the noncontrolling interest did not have any impact on the University's net assets. Amounts attributable to the controlling and noncontrolling interest for the years ended May 31, 2023 and 2022 are as follows:

<u>2023</u>	<u>Total</u>	<u>Controlling Interest</u>	<u>Noncontrolling Interest</u>
Net assets, beginning balance	\$ -	\$ -	\$ -
Revenues	1,650,612	1,237,959	412,653
Expenses	<u>(1,650,612)</u>	<u>(1,237,959)</u>	<u>(412,653)</u>
Net assets, ending balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<u>2022</u>	<u>Total</u>	<u>Controlling Interest</u>	<u>Noncontrolling Interest</u>
Net assets, beginning balance	\$ -	\$ -	\$ -
Revenues	1,650,612	1,237,959	412,653
Expenses	<u>(1,650,612)</u>	<u>(1,237,959)</u>	<u>(412,653)</u>
Net assets, ending balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**Saint Joseph's University and Subsidiary**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED**

**May 31, 2023 and 2022**

***Food Marketing Educational Foundation***

In 1962, the University established the Academy of Food Marketing (the "Academy"), to assist the University in fundraising and providing other services for the University's Department of Food Marketing. In order to better define the efforts of the Academy and to enable industry representatives on the Board of the Academy to function more independently of the University, the Food Marketing Educational Foundation (the "Foundation") was incorporated as a Pennsylvania nonprofit corporation on October 29, 1993. The Foundation was organized to function as an independent fundraising arm in support of food marketing education and related activities of the Food Marketing Education Program (the "Program") of the Haub School of Business ("HSB") at the University and to ensure that funds raised for the Program by the Foundation are used exclusively for the purposes of the Program. The Foundation raises funds through events for members of the food and allied industries.

The Foundation has entered into a Memorandum of Understanding ("MOU") with the University providing for, among other things, the Foundation's use of certain University facilities and services, and the Foundation's financial support of the Academy of Food Marketing, a unit of the University. The current MOU became effective June 1, 2012. Members of the Foundation's Board of Governors are also members of the Board of Governors of the Academy.

The University bills the Foundation at the completion of the University's fiscal year for the net amount due to the University from the Foundation for expenses related to the Academy. Included in other receivables as of May 31, 2023 and 2022 are \$63,476 and \$213,183, respectively, for this payment. There is no allowance recorded as of May 31, 2023 and 2022.

All endowment funds raised by the Academy between its inception and the formation of the Foundation are held and managed by the University. The net amount billed to the Foundation reflects the endowment release from these investments as revenue. As of May 31, 2023 and 2022, the endowment held by the University on behalf of the Academy was \$12.6 million and \$13.1 million, respectively.

***Other Related Party Transactions***

The University received contributions from board members and other related organizations during the years ended May 31, 2023 and 2022, totaling \$1,462,612 and \$1,294,759, respectively.

**NOTE 5 - SUBSEQUENT EVENTS**

On January 17, 2023, the University entered into a binding agreement and plan of merger with Pennsylvania College of Health Sciences. Effective January 1, 2024, Pennsylvania College of Health Sciences will merge with and into the University. The University will assume responsibility for the Pennsylvania College of Health Sciences assets and liabilities as outlined in the plan of merger.

The University has evaluated subsequent events through September 29, 2023, and has determined that there are no subsequent events requiring adjustment or disclosure in the consolidated financial statements other than the item noted above.