

Consolidated Financial Statements and
Report of Independent Certified Public
Accountants

Sacred Heart University, Inc.

June 30, 2024 and 2023

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REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

To the Board of Trustees of
Sacred Heart University, Inc.

Opinion

We have audited the consolidated financial statements of Sacred Heart University, Inc. and affiliates (the "University"), which comprise the consolidated balance sheets as of June 30, 2024 and 2023, 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 June 30, 2024 and 2023, and the changes in its net assets and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for opinion

We conducted our audits 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.



New York, New York
October 28, 2024

Sacred Heart University, Inc.

CONSOLIDATED BALANCE SHEETS

As of June 30, 2024 and 2023

	2024	2023
ASSETS		
Cash and cash equivalents	\$ 93,640,781	\$ 137,896,900
Accounts receivable:		
Students, net of allowance of \$5,503,664 in 2024 and \$5,518,844 in 2023	1,960,989	564,112
Contributions and other, net (Note 3)	5,563,050	8,200,597
Loans to students, net of allowance of \$42,579 in 2024 and \$42,844 in 2023	17,510	46,160
Prepaid expenses	7,970,747	6,458,215
Investments (Note 4)	402,319,880	291,529,947
Interest in split-interest agreements	124,103	124,103
Funds held by bond trustee (Notes 4 and 5)	57,625,967	89,953,350
Other assets	13,639,899	3,318,667
Right-of-use assets - operating leases (Note 13)	20,993,796	23,362,345
Right-of-use assets - finance leases (Note 13)	53,532	67,972
Land, buildings, and equipment, net (Note 6)	846,773,764	794,681,370
	<u>\$ 1,450,684,018</u>	<u>\$ 1,356,203,738</u>
Total assets		
	<u>\$ 1,450,684,018</u>	<u>\$ 1,356,203,738</u>
LIABILITIES AND NET ASSETS		
Liabilities		
Accounts payable and accrued liabilities	\$ 59,174,873	\$ 62,939,046
Operating lease liability (Note 13)	21,575,585	24,050,834
Finance lease liability (Note 13)	54,225	70,507
Deferred revenue	61,694,817	57,532,078
Government grants refundable - student loans	15,127	41,693
Bonds and notes payable, net (Note 8)	428,527,550	443,948,075
	<u>571,042,177</u>	<u>588,582,233</u>
Total liabilities		
	<u>571,042,177</u>	<u>588,582,233</u>
Net assets (Note 9)		
Without donor restrictions	815,610,537	706,504,591
With donor restrictions	64,031,304	61,116,914
	<u>879,641,841</u>	<u>767,621,505</u>
Total net assets		
	<u>879,641,841</u>	<u>767,621,505</u>
Total liabilities and net assets	<u>\$ 1,450,684,018</u>	<u>\$ 1,356,203,738</u>

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

Sacred Heart University, Inc.

CONSOLIDATED STATEMENTS OF ACTIVITIES

For the years ended June 30, 2024 and 2023

	2024	2023
Changes in net assets without donor restrictions:		
Operating revenues:		
Tuition and fees (net of scholarship allowance of \$133,989,212 in 2024 and \$122,296,946 in 2023)	\$ 281,695,689	\$ 271,795,527
Auxiliary revenues (net of scholarship allowance of \$2,445,655 in 2024 and \$2,062,693 in 2023)	73,405,214	68,179,769
Total	355,100,903	339,975,296
Contributions	2,115,178	2,865,969
Investment return, net (Note 4)	11,786,729	8,177,560
Other, net	10,501,491	7,757,086
Net assets released from restrictions (Note 10)	17,605,950	17,991,136
Total operating revenues	397,110,251	376,767,047
Operating expenses (Note 12):		
Instruction	111,237,775	104,837,443
Student services	69,504,513	62,477,531
Scholarships and fellowships	1,091,072	3,159,114
Public service radio station	6,094,777	6,394,681
Auxiliary activities	63,397,952	59,198,042
Academic support	21,394,590	19,825,952
Institutional supporting services	50,100,818	44,410,497
Total operating expenses	322,821,497	300,303,260
Net operating revenues	74,288,754	76,463,787
Nonoperating activities:		
Investment return in excess of amounts utilized in operations (Note 4)	31,708,689	17,351,821
Net assets released from restrictions - capital (Note 10)	2,783,943	2,862,692
Change in the value of interest rate swaps (Note 8)	324,560	1,491,554
Total nonoperating activities	34,817,192	21,706,067
Increase in net assets without donor restrictions	109,105,946	98,169,854

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

Sacred Heart University, Inc.

CONSOLIDATED STATEMENTS OF ACTIVITIES - CONTINUED

For the years ended June 30, 2024 and 2023

	<u>2024</u>	<u>2023</u>
Changes in net assets with donor restrictions:		
Contributions	\$ 10,333,940	\$ 12,291,108
Federal grants and contracts	7,396,835	8,279,092
State grants and contracts	143,542	677,632
Investment return, net (Note 4)	5,429,966	3,189,483
Net assets released from restrictions (Note 10)	<u>(20,389,893)</u>	<u>(20,853,828)</u>
Increase in net assets with donor restrictions	<u>2,914,390</u>	<u>3,583,487</u>
CHANGE IN NET ASSETS	112,020,336	101,753,341
Net assets:		
Beginning of year	<u>767,621,505</u>	<u>665,868,164</u>
End of year	<u><u>\$ 879,641,841</u></u>	<u><u>\$ 767,621,505</u></u>

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

Sacred Heart University, Inc.

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the years ended June 30, 2024 and 2023

	2024	2023
Cash flows from operating activities:		
Change in net assets	\$ 112,020,336	\$ 101,753,341
Adjustments to reconcile change in net assets to net cash provided by operating activities:		
Depreciation	28,231,524	26,340,364
Net amortization of deferred financing (premiums)/costs	(2,211,475)	(2,210,120)
Provision for bad debts	(1,008,088)	602,153
Change in value of swap agreement	(324,560)	(1,491,554)
Net appreciation in fair value of investments	(30,982,011)	(14,917,854)
Amortization of the operating lease right-of-use assets	4,334,333	3,830,212
Amortization of the finance lease right-of-use assets	(1,174)	8,886
Contributions restricted for permanent investment and capital	(604,722)	(1,946,008)
Changes in operating assets and liabilities:		
Student accounts receivable	(1,014,654)	(141,187)
Contributions and other receivables	725,991	(1,510,422)
Prepaid expenses and other assets	(1,509,204)	330,875
Accounts payable and accrued liabilities, net of investing amounts	3,230,572	2,941,657
Operating lease liability	(4,441,033)	(3,827,829)
Finance lease liability	(668)	(6,351)
Deferred revenue	4,162,739	1,180,347
Net cash provided by operating activities	110,607,906	110,936,510
Cash flows from investing activities:		
Additions to land, buildings, and equipment	(74,375,452)	(90,922,265)
Accounts payable and accrued liabilities for construction	(12,921,914)	(18,046,324)
Advance for purchase of Notre Dame Catholic High School	(10,000,000)	-
Purchases of investments	(123,247,008)	(89,182,658)
Proceeds from sales of investments	43,439,086	53,459,906
Student loans collections, net	(13,929)	94,978
Net cash used in investing activities	(177,119,217)	(144,596,363)
Cash flows from financing activities:		
Net deferred financing costs	-	(736)
Principal payments on bonds, notes payable and finance leases	(13,230,347)	(10,803,779)
Contributions restricted for permanent investment and capital	604,722	1,946,008
Change in endowment and capital contributions receivable	2,580,000	855,000
Government grants refundable - student loans	(26,566)	(98,457)
Net cash used in financing activities	(10,072,191)	(8,101,964)
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(76,583,502)	(41,761,817)
Cash, cash equivalents, and restricted cash equivalents:		
Beginning of year	227,850,250	269,612,067
End of year	\$ 151,266,748	\$ 227,850,250
Reconciliation of cash, cash equivalents, and restricted cash equivalents reported within the consolidated balance sheets that sum to the total of the same such amounts shown above:		
Cash and cash equivalents	\$ 93,640,781	\$ 137,896,900
Restricted cash equivalents included in funds held by bond trustees	57,625,967	89,953,350
Total cash, cash equivalents, and restricted cash equivalents shown above	\$ 151,266,748	\$ 227,850,250
Supplemental information:		
Interest paid (interest expense \$13,337,244 and \$13,463,417, respectively)	\$ 17,801,598	\$ 16,795,725
Right-of-use assets obtained in exchange for new operating lease liabilities	875,160	5,059,311
Right-of-use assets obtained in exchange for new financing lease liabilities	-	97,103
Additions to land, building, and equipment included in accounts payable and accrued liabilities	5,948,466	12,872,505

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

Sacred Heart University, Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

June 30, 2024 and 2023

NOTE 1 - THE UNIVERSITY

Sacred Heart University, Inc. (the University) is a Catholic university in New England and offers more than 80 undergraduate, graduate, doctoral, and certificate programs on its main campus in Fairfield, Connecticut, online, and satellites in Connecticut, and Ireland. More than 11,000 students attend the University's five colleges: the College of Arts & Sciences; the Isabelle Farrington College of Education & Human Development; the College of Health Professions; the Dr. Susan L. Davis, RN, & Richard J. Henley College of Nursing; and the Jack Welch College of Business & Technology.

The University is exempt from federal income taxes under Section 501(a), as an organization described in Section 501(c)(3) of the Internal Revenue Code, as amended. Accordingly, it is not subject to income taxes except to the extent it has taxable income from activities that are not related to its exempt purpose. The University recognizes the effect of income tax positions only if those positions are more likely than not of being sustained. No provision for income taxes was required for fiscal 2024 or 2023.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Principles of Consolidation

On September 15, 2017, the University formed Sacred Heart Campus in Dingle, an Irish for-profit Company Limited by Guarantee (CLG) (the Company) to support the University in its efforts to expand its curriculum in Dingle, Co. Kerry, Ireland. In the fiscal year 2021, the Company amended its corporate designation to Sacred Heart Campus in Dingle Limited, in which Sacred Heart University Incorporated is now the sole member. The consolidated financial statements include the accounts of Sacred Heart Campus in Dingle since Sacred Heart University, Inc. is the sole member.

Coram Lane, LLC is a single member limited liability company with the University as its only member and a disregarded entity for tax purposes.

The accompanying consolidated financial statements include the consolidated balance sheets, statements of activities and cash flows of Sacred Heart Campus in Dingle (CLG) and Coram Lane, LLC (collectively, the University).

All significant intercompany accounts and transactions have been eliminated in consolidation.

Basis of Presentation

The accompanying consolidated financial statements have been prepared on the accrual basis of accounting in accordance with U.S. generally accepted accounting principles (U.S. GAAP).

Net Asset Classifications

The University reports net assets and net activity based on the absence or existence of donor-imposed restrictions. Net assets are reported in two categories: without donor restrictions and with donor restrictions.

Net assets without donor restrictions are not restricted by donors, or the donor-imposed restrictions have expired. The University's Board of Trustees has designated a portion of the unrestricted net assets for fixed assets and long-term investment (quasi-endowment).

Net assets with donor restrictions contain donor-imposed restrictions that permit the University to use or expend the assets as specified. The restrictions are satisfied either by the passage of time or by action of the University. In addition, net assets with donor restrictions include contributions with donor-imposed

Sacred Heart University, Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2024 and 2023

restrictions that stipulate the corpus of the gift be maintained in perpetuity but permit the University to use the residual income for specified or unspecified operating activities.

Revenues are reported as increases in net assets without donor restrictions unless their use is limited by donor-imposed stipulations. Expenses are reported as decreases in net assets without donor restrictions. Gains and losses on investments and other assets and liabilities are reported as increases or decreases in net assets without donor restrictions unless their use is restricted by explicit donor stipulation or by law.

Measure of Operations

In the consolidated statements of activities, the University includes in operations all revenue and expenses that are an integral part of its program and supporting activities. Investment return, including net realized and unrealized gains and losses in excess of or less than the University's authorized spending policy, net assets released from restrictions for capital, any gains or losses from an investment swap agreement, and other nonrecurring activities are recognized as nonoperating activities.

Cash and Cash Equivalents

Cash and cash equivalents include highly liquid short-term investments with initial maturities of three months or less, with the exception of cash and cash equivalents held for long-term investment purposes.

Investments

Investments in debt and equity securities (including investments held by bond trustee) with readily determinable fair values are reported at fair value based upon quoted or published market values. The alternative investments, which are not readily marketable, are carried at an estimated fair value using net asset value (NAV) as provided by the investment managers as a practical expedient. The University reviews and evaluates the value provided by the alternative investment managers. The estimated fair value may differ significantly from the value that would have been used had a ready market for the alternative investment existed.

Investment return (including net realized and unrealized gains or losses) is allocated between net assets without donor restrictions and with donor restrictions based upon donor-imposed restrictions or the absence thereof.

Concentrations of Credit Risk

Cash and investments are exposed to various risks, such as interest rate, market and credit risks. To minimize such risks, the University maintains its cash in various bank deposit accounts which, at times, may exceed federally insured limits, and in a diversified investment portfolio. At June 30, 2024 and 2023, the University's cash and investments were placed with high credit quality financial institutions and, accordingly, the University does not expect nonperformance.

Deferred Revenue

The University recognizes revenue from tuition and fees in a manner that depicts the transfer of promised services to its students and revenue from contracts with service providers is recognized over the life of the contract. Amounts collected in advance of such revenue recognition are deferred.

Land, Buildings, and Equipment

Land, buildings, and equipment are recorded at cost on the date of acquisition or fair value on the date of donation. Depreciation is computed on a straight-line basis over the estimated useful lives of the related

Sacred Heart University, Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2024 and 2023

plant assets as follows: buildings, 30-50 years; leasehold improvements, lessor of 30 years or the term of the lease; land improvements, 20 years; equipment and furniture, 3, 5, or 7 years; art, 20 years; and library books, 10 years.

Disaggregation of Revenue

The University has various sources of operating revenue as presented in the consolidated statement of activities. The following revenues are presented in accordance with Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 606, *Revenue from Contracts with Customers (Topic 606)*:

Tuition and Fees, Net of Scholarships

The University's primary source of operating revenue is derived from providing educational services to students including undergraduate, graduate, doctoral and certificate programs. Tuition and fees, which are considered one performance obligation, for academic programs is earned by the University as the educational services are delivered over the course of the academic term. Institutional scholarships awarded by the University represent a reduction of the tuition transaction price. The University bills tuition and fees in advance of the academic term and recognizes the revenue on a straight-line basis as the educational services are performed. Students are typically entitled to a partial refund through a specific point in the academic term, after which no refunds are due upon withdrawal. Refunds issued reduce the amount of revenue recognized.

Auxiliary Services, Net of Scholarships

Auxiliary services revenue primarily consists of fees for room and dining services (board), which are each considered separate performance obligations. Room fees and dining fees are charged in advance of each academic term and recognized on a straight-line basis over the period the services are provided. The University considers the residential arrangement to be a distinct performance obligation from the academic services. Although first and second-year students are expected to live on campus, there are exemptions, primarily for students living with family or married students.

Other Operating Revenue

This category generally consists of revenue generated by the University under contractual arrangements deemed to be exchange transactions. Major revenue streams in the category include athletic events and Student Government activities. Revenue from these activities is recognized as the services are performed.

Contributions

Contributions, including grants, contracts, and unconditional promises to give (pledges), are recognized initially at fair value as revenues in the period received. Conditional contributions are recognized as revenue when the conditions on which they depend have been met.

The University records contributions in the net asset activity with donor restrictions if they are received with donor stipulations that limit their use through purpose or time restrictions. When donor-imposed restrictions expire, that is, when a purpose restriction is fulfilled or a time restriction ends, net asset activity with donor restrictions are reclassified to net assets without donor restrictions and reported in the consolidated statements of activities as net assets released from restrictions.

Contributions expected to be received after one year are discounted at an appropriate discount rate commensurate with the risk involved. Amortization of the discount is recorded as additional contributions revenue in accordance with donor-imposed restrictions, if any, on the contributions. An allowance for

Sacred Heart University, Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2024 and 2023

uncollectible contributions receivable is provided based upon management's judgment, including such factors as prior collection history, type of contribution, and nature of fundraising activity.

Government grants are evaluated on an individual basis and accounted for as contributions with donor restrictions or as exchange transactions.

Gifts of long-lived assets with explicit restrictions that specify how the assets are to be used and gifts of cash or other assets that must be used to acquire long-lived assets are reported as restricted support. Absent explicit donor stipulation, the University reports expirations of donor-imposed restrictions when the donated or acquired long-lived assets are placed in service.

The University has interests in charitable remainder trusts. The interests are carried at the present value of the estimated future benefit to be received when the trust assets are distributed.

Conditional contributions are not recognized until they become unconditional, that is, when the conditions on which they depend are met. As of June 30, 2024 and 2023, the University received conditional contributions of approximately \$955,025 and \$996,168, respectively, for which there exists measurable performance related barriers, that have not been reflected in the accompanying consolidated statement of activities because the conditions on which they depend have not been met.

Leases

The University assesses contracts at inception to determine whether an arrangement includes a lease, which conveys the University's right to control the use of an identified asset for a period of time in exchange for consideration and based on the terms and conditions outlined in the contract, classifies leases as either operating or financing. On the consolidated balance sheet, right-of-use assets represent the University's right to use the underlying assets for the lease term, and lease liabilities represent the University's obligation to make lease payments arising from the leases. Right-of-use assets and lease liabilities are recognized based on the present value of the future minimum lease payments over the lease term at commencement date, using a risk-free rate of return selected based on the term of the lease. The University has elected to not separate lease and non-lease components for any leases within its existing classes of assets, and therefore does not allocate contract consideration between lease and non-lease components. Lease expense for minimum lease payments is recognized on a straight-line basis over the lease term. Leases with an initial term of 12 months or less are not included in the consolidated balance sheets, and instead the related lease payments are recognized as expenses on a straight-line basis over the respective lease term in which the obligation for those payments is incurred. The University considered the likelihood of exercising renewal or termination terms in measuring its right-of-use assets and lease liabilities. The leases contain no residual value guarantees.

Functional and Natural Classification of Expenses

The University reports operating costs on the consolidated statements of activities by functional classification, which include allocations of costs for depreciation and amortization, interest, and operation and maintenance of plant. The University allocates depreciation and amortization, and operation and maintenance of plant costs to the functional categories based on building square footage while interest is allocated based on use of debt proceeds.

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. Significant estimates in the consolidated

Sacred Heart University, Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2024 and 2023

financial statements include the valuation of investments and allocation of expenses amongst functional categories. Actual results could differ from those estimates.

Fair Value Measurements

Certain of the University's assets are reported at fair value. Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. The three levels of inputs that may be used to measure fair value 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.

Level 3 - Unobservable inputs that are supported by little or no market activity.

Alternative investments consist of shares or units in investment funds as opposed to direct interests in the funds' underlying holdings, which may be marketable.

New Accounting Standards

The Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2016-13, Financial Instruments – Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments (ASC 326), effective for the University's fiscal year ended June 30, 2024. This standard replaced the incurred loss methodology with an expected loss methodology, referred to as the current expected credit loss ("CECL") methodology. This new methodology is designed to provide financial statement users with more decision-useful information by requiring institutions to estimate expected credit losses on a more forward-looking approach to credit loss recognition. The University has estimated credit losses on its financial instruments using historical experience, current conditions, and reasonable forecasts at each reporting date. This approach applies to financial assets, which will be presented at the net amount expected to be collected by utilizing an allowance for credit losses. The University has adopted this ASU using the modified retrospective transition approach and, therefore, is required to adjust comparative periods by adjusting the beginning net assets instead of restating prior periods. The impact to the financial statements under the modified retrospective approach for CECL was deemed immaterial; therefore, management opted not to adjust the beginning net assets.

Sacred Heart University, Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2024 and 2023

NOTE 3 - CONTRIBUTIONS AND OTHER RECEIVABLES

Contributions and other receivables as of June 30, 2024 and 2023 are summarized as follows:

	2024	2023
Unconditional promises expected to be collected:		
Within one year	\$ 1,465,565	\$ 2,532,826
Between one and five years	2,039,371	3,013,151
After five years	88,600	70,000
	<u>3,593,536</u>	<u>5,615,977</u>
Less:		
Allowance for uncollectible amounts	(445,563)	(1,065,979)
Discount at present value ranging from 0.32% to 4.67%	(249,339)	(209,916)
	<u>(694,902)</u>	<u>(1,275,895)</u>
Net contributions receivable	2,898,634	4,340,082
Other receivables	<u>2,664,416</u>	<u>3,860,515</u>
	<u>\$ 5,563,050</u>	<u>\$ 8,200,597</u>

Amounts receivable from five donors represented 52% and 78% of gross contributions receivable as of June 30, 2024 and 2023, respectively.

NOTE 4 - INVESTMENTS AND FAIR VALUE

The following tables present the University's fair value hierarchy for investments, and funds held by bond trustees at the consolidated balance sheet date at fair value.

	2024			
	Level 1	Level 2	Level 3	Total
Investments:				
Cash and cash equivalents	\$ 23,412,830	\$ -	\$ -	\$ 23,412,830
Equity securities - domestic	130,839,440	-	-	130,839,440
Equity securities - international	51,827,852	-	-	51,827,852
Fixed income - investment grade	120,267,446	-	-	120,267,446
Fixed income - other	18,916,152	-	-	18,916,152
Other - currency	3,220,356	-	-	3,220,356
	<u>\$ 348,484,076</u>	<u>\$ -</u>	<u>\$ -</u>	
Alternate investments (measured at net asset value)				<u>53,835,804</u>
Total investments				<u>\$ 402,319,880</u>

	2024			
	Level 1	Level 2	Level 3	Total
Funds held by bond trustee:				
Cash and cash equivalents	\$ 57,625,967	\$ -	\$ -	\$ 57,625,967

Sacred Heart University, Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2024 and 2023

	2023			
	Level 1	Level 2	Level 3	Total
Investments:				
Cash and cash equivalents	\$ 9,389,587	\$ -	\$ -	\$ 9,389,587
Equity securities - domestic	104,335,984	-	-	104,335,984
Equity securities - international	44,861,496	-	-	44,861,496
Fixed income - investment grade	67,653,858	-	-	67,653,858
Fixed income - other	12,864,173	-	-	12,864,173
Other - currency	2,793,504	-	-	2,793,504
	<u>\$ 241,898,602</u>	<u>\$ -</u>	<u>\$ -</u>	<u>241,898,602</u>
Alternate investments (measured at net asset value)				<u>49,631,345</u>
Total investments				<u>\$ 291,529,947</u>

	2023			
	Level 1	Level 2	Level 3	Total
Funds held by bond trustee:				
Cash and cash equivalents	\$ 89,953,350	\$ -	\$ -	\$ 89,953,350

The University uses the net asset value to determine the fair value of all the investments that (a) do not have a readily determinable fair value and (b) prepare their financial statements consistent with the measurement principles of an investment company or have the attributes of an investment company. The following tables list investment in other investment companies by major category:

Sacred Heart University, Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2024 and 2023

		2024				
	Strategy	NAV in Funds	Number of Funds	Remaining Life	Amount of Unfunded Commitments	Redemption Terms
Private equity	Investment in funds, representing primarily limited partnerships, which were formed for the purpose of investing in private companies in various strategies stages of development	\$ 37,637,756	45	< 1 year to 15 years	\$ 39,006,758	No redemptions
Hedge funds	Investment in funds representing instruments in a broad range of investments that seek attractive risk adjusted returns with low correlation to traditional asset classes	13,643,657	3	N/A	-	Various redemption frequencies, with 65-90 days notice. Certain restrictions may limit the total portion of the investment that may be liquidated at one time
Core real estate	Investments representing a diversified portfolio of institutional quality real estate assets, seeking to generate consistent income streams through market cycles	2,554,391	2	N/A	-	Quarterly, with 95 days notice
		<u>\$ 53,835,804</u>	<u>50</u>		<u>\$ 39,006,758</u>	

Sacred Heart University, Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2024 and 2023

		2023				
	Strategy	NAV in Funds	Number of Funds	Remaining Life	Amount of Unfunded Commitments	Redemption Terms
Private equity	Investment in funds, representing primarily limited partnerships, which were formed for the purpose of investing in private companies in various strategies stages of development	\$ 32,121,126	34	One year to 15 years	\$ 32,275,070	No redemptions
Hedge funds	Investment in funds representing instruments in a broad range of investments that seek attractive risk adjusted returns with low correlation to traditional asset classes	14,630,326	3	N/A	-	Various redemption frequencies, with 65-90 days notice. Certain restrictions may limit the total portion of the investment that may be liquidated at one time
Core real estate	Investments representing a diversified portfolio of institutional quality real estate assets, seeking to generate consistent income streams through market cycles	2,879,893	2	N/A	-	Quarterly, with 95 days notice
		<u>\$ 49,631,345</u>	<u>39</u>		<u>\$ 32,275,070</u>	

Sacred Heart University, Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2024 and 2023

The following tables present the University's alternative investments as of June 30, 2024 and 2023 based on their redemption frequency:

2024				
	Hedge Funds	Private Equity	Core Real Estate	Total
Redemption frequency:				
Monthly	\$ 690,248	\$ -	\$ -	\$ 690,248
Quarterly	8,351,753	-	2,554,391	10,906,144
Annually	2,300,828	-	-	2,300,828
Lock up	2,300,828	37,637,756	-	39,938,584
Total	<u>\$ 13,643,657</u>	<u>\$ 37,637,756</u>	<u>\$ 2,554,391</u>	<u>\$ 53,835,804</u>
2023				
	Hedge Funds	Private Equity	Core Real Estate	Total
Redemption frequency:				
Monthly	\$ 597,715	\$ -	\$ -	\$ 597,715
Quarterly	7,391,336	-	2,879,893	10,271,229
Annually	1,992,383	-	-	1,992,383
Lock up	4,648,892	32,121,126	-	36,770,018
Total	<u>\$ 14,630,326</u>	<u>\$ 32,121,126</u>	<u>\$ 2,879,893</u>	<u>\$ 49,631,345</u>

Investment return was as follows for the years ended June 30:

2024			
	Without Donor Restrictions	With Donor Restrictions	Total
Investment earnings, net of expenses	\$ 16,977,398	\$ 965,975	\$ 17,943,373
Net appreciation in fair value of investments	26,518,020	4,463,991	30,982,011
Total return on investments	43,495,418	5,429,966	48,925,384
Less portion designated for operations	(11,786,729)	-	(11,786,729)
Nonoperating portion of investment return	<u>\$ 31,708,689</u>	<u>\$ 5,429,966</u>	<u>\$ 37,138,655</u>

Sacred Heart University, Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2024 and 2023

	2023		
	Without Donor Restrictions	With Donor Restrictions	Total
Investment earnings, net of expenses	\$ 12,912,489	\$ 888,520	\$ 13,801,009
Net appreciation in fair value of investments	12,616,892	2,300,963	14,917,855
Total return on investments	25,529,381	3,189,483	28,718,864
Less portion designated for operations	(8,177,560)	-	(8,177,560)
Nonoperating portion of investment return	<u>\$ 17,351,821</u>	<u>\$ 3,189,483</u>	<u>\$ 20,541,304</u>

NOTE 5 - FUNDS HELD BY BOND TRUSTEE

In connection with the issuance of Connecticut Housing and Education Facilities Authority (CHEFA) Revenue Bonds and the Direct Bank Placement Issues (Note 8), the University is required to maintain certain funds with a bond trustee. Funds held by the bond trustee as of June 30, 2024 and 2023 consisted of the following:

	2024	2023
Series I:		
Debt service account	\$ 11,062,844	\$ 10,581,160
Series K:		
Debt service account	6,056,604	5,799,736
Series L:		
Debt service account	4,216,749	4,047,286
Capital construction fund	36,289,770	69,525,168
	<u>\$ 57,625,967</u>	<u>\$ 89,953,350</u>

NOTE 6 - LAND, BUILDINGS, AND EQUIPMENT

Land, buildings, and equipment consisted of the following at June 30:

	2024	2023
Land and land improvements	\$ 99,432,889	\$ 90,399,455
Buildings and leasehold improvements	915,866,172	824,801,106
Equipment, furniture, and other	94,621,722	89,662,202
Library books	12,234,258	12,208,765
Construction in progress	54,560,354	79,319,949
Total	1,176,715,395	1,096,391,477
Less accumulated depreciation	<u>(329,941,631)</u>	<u>(301,710,107)</u>
Total	<u>\$ 846,773,764</u>	<u>\$ 794,681,370</u>

Sacred Heart University, Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2024 and 2023

NOTE 7 - LIQUIDITY AND AVAILABILITY OF RESOURCES

As of June 30, 2024 and 2023, financial assets and liquidity resources available within one year for general expenditure, such as operating expenses, principal payments on debt, and capital construction, were as follows:

	2024	2023
Financial assets available to meet cash need for general expenditures within one year:		
Cash and cash equivalents	\$ 93,640,781	\$ 137,896,900
Investments	83,426,068	-
Accounts receivable	1,960,989	564,112
Contributions and other	4,129,981	6,393,340
Funds held by bond trustee	57,625,967	89,953,350
	<u>240,783,786</u>	<u>234,807,702</u>
Financial assets available to meet cash need for general expenditures within one year		
Liquidity resources:		
Funds functioning as endowment, available for operation upon board action	267,719,311	224,921,790
Less funds functioning as endowment, in lock-up	<u>(34,006,472)</u>	<u>(31,027,976)</u>
Net funds functioning as endowment, available for operations upon board action	233,712,839	193,893,814
Bank line of credit	<u>50,000,000</u>	<u>50,000,000</u>
Total financial assets and liquidity resources available to meet cash need for general expenditures within one year	<u>\$ 524,496,625</u>	<u>\$ 478,701,516</u>

The University structures its financial assets to be available as its general expenditures and other obligations come due. In addition, the University maintains a line of credit that can be drawn upon, as needed, during the year to manage cash flows. At June 30, 2024, no amounts were drawn on the line of credit. Amounts from its board designated funds could be made available for expenditure with board approval.

Sacred Heart University, Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2024 and 2023

NOTE 8 - BONDS PAYABLE AND LINE OF CREDIT

Bonds payable consist of the following as of June 30:

Bonds Payable

Facility Financed	Maturity	2024		2023	
		Weighted Average Rate	Principal Balance	Weighted Average Rate	Principal Balance
Series K - Student residential housing, parking garage, other, line of credit	In installments through July 1, 2046	4.386%	\$ 116,815,000	4.399%	\$ 119,680,000
Series I-1 - Student facilities, land, health and residential housing	In installments through July 1, 2042	5.000%	112,925,000	5.000%	117,175,000
Series I-2 - Student facilities, land, health and residential housing	In installments through July 1, 2028	3.150%	13,465,000	3.088%	15,925,000
Series J-1 - Student facilities, land, health and residential housing	In installments through July 1, 2037	2.625%	39,851,790	2.625%	42,015,840
Series L - Student facilities, land, health and residential housing	In installments through July 1, 2052	5.000%	98,530,000	5.000%	100,000,000
			381,586,790		394,795,840
Plus net unamortized premium			49,649,915		52,004,729
Less unamortized bond issuance costs			(2,709,155)		(2,852,494)
			<u>\$ 428,527,550</u>		<u>\$ 443,948,075</u>

(i) **Series K Bonds**

On September 22, 2020, the University issued a State of Connecticut Health and Educational Facilities Authority Revenue Bonds, Sacred Heart University Issue Series K in the amount of \$125,000,000, at a premium of \$25,439,692. The proceeds were used to pay off the 2017 Bank of America Line of Credit. The remaining \$40,668,433 in proceeds were set aside to cover cost of issuance and to finance various construction projects, such Pioneer Village, the South Lot Parking Garage and various building and land improvement projects. The bonds are secured by the University's tuition receipts.

Sacred Heart University, Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2024 and 2023

(ii) Series I-1 and I-2 Bonds

On November 22, 2017, the University issued CHEFA Series I-1 (Tax Exempt) and I-2 (Taxable) Revenue Bonds in the amount of \$160,655,000, at a premium of \$22,421,506. The proceeds were used to refund the outstanding principal of \$34,545,000 on the CHEFA Series H Revenue Bonds and settle the \$105,000,000 Bank of America Line of Credit. The remaining \$50,463,245 in proceeds were set aside to finance the various construction projects, such as the Center for Healthcare Education, Pierre Toussaint Hall, WSHU Broadcast Center & Public Safety Building, and the Bobby Valentine Recreation Center. The bonds are secured by the University's tuition receipts with a covenant not to further encumber 5151 Park Avenue in Fairfield, Connecticut, except for Permitted Encumbrances (the Negative Pledge).

(iii) Series J-1 Bonds

On November 22, 2017, the University issued Direct Bank Placement Issue Series J-1 Tax Exempt Bonds in the amount of \$53,465,000. The proceeds were used to refund the outstanding principal of \$36,060,000 on the CHEFA Series G Revenue Bonds and \$16,530,000 on the CHEFA Series F Variable Rate Demand Revenue Bonds. The bonds are secured by the University's tuition receipts with a covenant not to further encumber 5151 Park Avenue in Fairfield, Connecticut, except for Permitted Encumbrances (the Negative Pledge). In fiscal year 2018, the University entered into an interest rate swap agreement with a termination date of July 1, 2037. The swap agreement converts the variable rate borrowings to an effective fixed rate liability of 2.625%. As of June 30, 2024, and June 30, 2023, the University has an asset on its consolidated balance sheets of \$2,438,734 and \$2,114,175, respectively, reflecting the fair value of its interest rate swaps. A corresponding increase in the fair value of the interest swaps totaling \$324,560 and \$1,491,554, for June 30, 2024 and 2023, respectively, is included on the consolidated statements of activities.

(iv) Series L Bonds

On April 1, 2022, the University issued CHEFA Series L Tax Exempt Bonds in the amount of \$100,000,000. A premium of \$12,608,678 was recorded as a result of the issuance. The proceeds were set aside to finance various new construction projects, such as Catherine of Siena Hall and Michael McGivney Hall in Pioneer Village, an expansion on the Center for Healthcare Education, and capital improvements on Merton Hall and Seton Hall. The bonds are secured by the University's tuition receipts.

Line of Credit

At June 30, 2024, the University had one bank line of credit, collateralized by the University's tuition receipts with a covenant not to further encumber 5151 Park Avenue in Fairfield, Connecticut, except for Permitted Encumbrances (the Negative Pledge), totaling \$50,000,000 with an interest rate of Term SOFR plus 1.00%. There were no amounts outstanding at June 30, 2024 and 2023, respectively.

The aggregate amount of principal due in respect to bonds payable at June 30, 2024 is as follows:

2025	\$ 13,817,759
2026	14,482,919
2027	15,129,079
2028	15,842,157
2029	16,599,730
Thereafter	<u>305,715,146</u>
	<u>\$ 381,586,790</u>

Sacred Heart University, Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2024 and 2023

Pursuant to the Series K, I-1 and I-2, and Series L CHEFA Bonds issued, as well as the direct placement Series J-1 Bond issue, the University met the liquidity ratio and debt service coverage ratio as of June 30, 2024.

NOTE 9 - NET ASSETS

The University's net assets as of June 30 consist of the following:

	2024	2023
Without donor restrictions:		
Board-designated endowment funds	\$ 267,719,311	\$ 224,921,790
Undesignated	547,891,226	481,582,801
Total net assets without donor restrictions	815,610,537	706,504,591
With donor restrictions:		
Subject to expenditure by donor specified purpose and appropriation through endowment spending policy		
Student financial assistance	37,955,018	35,642,168
Capital improvements	2,526,337	4,060,159
Time restricted	2,469,681	1,987,745
Instructional	9,108,549	7,900,708
Public service radio station	251,000	251,000
Academic support	11,720,719	11,275,134
Total net assets with donor restrictions	64,031,304	61,116,914
Total net assets	<u>\$ 879,641,841</u>	<u>\$ 767,621,505</u>

The University's endowment consists of individual funds established for a variety of purposes. The endowment includes both donor restricted funds and funds designated by the board of trustees to function as endowment. Net assets associated with endowment funds are classified and reported based on the existence or absence of donor-imposed restrictions. Expenditures from board designated funds can be made available for operations subject to board approval. As of June 30, 2024, and 2023, a total of \$43,790,000 and \$41,200,000, respectively was included within the board designated endowment funds approved for purpose of reimbursing operating funds previously utilized for investment in plant.

Endowment net assets consist of the following at June 30, 2024:

	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted	\$ -	\$ 49,153,794	\$ 49,153,794
Board designated	267,719,311	-	267,719,311
Total endowment net assets	<u>\$ 267,719,311</u>	<u>\$ 49,153,794</u>	<u>\$ 316,873,105</u>

Sacred Heart University, Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2024 and 2023

Endowment net assets consist of the following at June 30, 2023:

	Without Donor Restrictions	With Donor Restrictions	Total
Donor-restricted	\$ -	\$ 44,524,507	\$ 44,524,507
Board designated	224,921,790	-	224,921,790
	<u>\$ 224,921,790</u>	<u>\$ 44,524,507</u>	<u>\$ 269,446,297</u>
Total endowment net assets			

Changes in endowment net assets, including pledges receivable of \$776,056 for the year ended June 30, 2024 are as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment at June 30, 2023	\$ 224,921,790	\$ 44,524,507	\$ 269,446,297
Investment return	31,597,421	5,172,184	36,769,605
Contributions	-	604,722	604,722
Appropriation for expenditure	-	(1,147,619)	(1,147,619)
Transfer to create board-designated funds	11,200,100	-	11,200,100
	<u>\$ 267,719,311</u>	<u>\$ 49,153,794</u>	<u>\$ 316,873,105</u>
Endowment at June 30, 2024			
Investments by type of fund:			
Donor restricted permanent endowment	\$ -	\$ 29,845,607	\$ 29,845,607
Endowment appreciation	-	19,308,187	19,308,187
Board-designated endowment funds	267,719,311	-	267,719,311
	<u>\$ 267,719,311</u>	<u>\$ 49,153,794</u>	<u>\$ 316,873,105</u>
Total			

Sacred Heart University, Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2024 and 2023

Changes in endowment net assets, including pledges receivable of \$891,570 for the year ended June 30, 2023 are as follows:

	Without Donor Restrictions	With Donor Restrictions	Total
Endowment at June 30, 2022	\$ 199,179,287	\$ 40,879,742	\$ 240,059,029
Investment return	17,155,181	3,188,796	20,343,977
Contributions	-	1,946,008	1,946,008
Appropriation for expenditure	-	(1,294,833)	(1,294,833)
Restricted transfer	-	(195,206)	(195,206)
Transfer to create board-designated funds	8,587,322	-	8,587,322
Endowment at June 30, 2023	<u>\$ 224,921,790</u>	<u>\$ 44,524,507</u>	<u>\$ 269,446,297</u>
Investments by type of fund:			
Donor restricted permanent endowment	\$ -	\$ 29,240,885	\$ 29,240,885
Endowment appreciation	-	15,283,622	15,283,622
Board-designated endowment funds	224,921,790	-	224,921,790
Total	<u>\$ 224,921,790</u>	<u>\$ 44,524,507</u>	<u>\$ 269,446,297</u>

Return Objectives and Risk Parameters

The University has adopted investment and spending policies for endowment assets that seek to provide a predictable stream of income, while maintaining the purchasing power of the endowment assets. Under these policies, as approved by the University's Finance Committee, Investment Committee and the Board of Trustees, the endowment assets are invested in a number of different asset classes and investment strategies to diversify the investments to provide a balance that will enhance the long-term total return of the overall investment portfolio while avoiding undue risk or concentration in any single asset class or investment category. The amount available for spending is determined annually by applying a rate (4% for fiscal years 2024 and 2023) to the fair value of the permanently restricted endowment using the average market value for the past 12 quarters through the preceding December 31 provided the market value of the donor restricted endowment exceeds the endowment contributions previously adjusted for inflation through December 31, 2010. Based on the calculation, the appropriation for expenditures was \$1,147,619 for 2024 and \$1,294,833 for 2023.

From time to time, the University's Board of Trustees appropriates a special distribution from the funds designated for expenditure. There were no such appropriations for the years ended June 30, 2024 and 2023.

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 are reported in the net assets with donor restrictions. The University's policy prevents spending from underwater endowment funds. There were no endowment funds underwater at June 30, 2024, and 10 endowment funds, with an aggregate original gift value of \$359,545 were underwater by \$6,699 at June 30, 2023.

Sacred Heart University, Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2024 and 2023

NOTE 10 - NET ASSETS RELEASED FROM RESTRICTIONS

Net assets were released from donor restrictions due to the passage of time or by incurring expenses satisfying the restricted purposes specified by the donors as follows for fiscal years 2024 and 2023:

	2024	2023
Restricted for specified purposes:		
Student financial assistance	\$ 5,825,533	\$ 7,090,818
Instruction	5,738,015	4,997,731
Student services	1,513,739	926,002
Public service radio station	4,318,189	4,749,021
Institutional supporting services	34,177	86,641
Academic support	41,732	38,662
Auxiliary activities	128,535	102,261
Operations and maintenance	6,000	-
Net assets released from restrictions designated for operating activities	17,605,950	17,991,136
Released for capital	2,783,943	2,862,692
Total net assets released from restrictions	<u>\$ 20,389,893</u>	<u>\$ 20,853,828</u>

NOTE 11 - RETIREMENT BENEFITS

The University has a 403(b) defined contribution retirement plan for all employees. The University contributes a defined percentage of a participant's compensation for the purchase of individual annuities (8% to 10% for eligible faculty and administrators dependent on years of service with a 5% participant contribution and 3% for eligible nonexempt employees). The cost of the plan is funded as accrued through direct payments to qualified carriers. Total contributions made during fiscal years 2024 and 2023 were \$6,803,069 and \$5,864,233, respectively.

NOTE 12 - EXPENSES

Operating and nonoperating expenses by functional and natural classification for the years ended June 30, 2024 and 2023 were as follows:

	Program Services					Supporting Activities		
	Instruction	Student Services	Scholarships and Fellowships	Public Service Radio Station	Auxiliary Activities	Academic Support	Institutional Supporting Services	2024 Total
Salaries and benefits	\$ 80,775,282	\$ 29,621,585	\$ -	\$ 2,874,709	\$ 6,458,089	\$ 14,214,044	\$ 24,533,102	\$ 158,476,811
Occupancy, utilities, and maintenance	4,544,872	3,907,276	-	558,809	8,671,711	802,887	2,266,455	20,752,010
Professional fees and contract services	8,780,703	14,597,127	-	462,332	26,653,089	1,649,434	8,112,594	60,255,279
Depreciation, amortization, and interest	10,091,407	5,810,939	-	535,942	17,748,685	1,305,600	3,884,103	39,376,676
Student aid	-	-	1,091,072	-	-	-	-	1,091,072
Other operating expenses	7,045,511	15,567,586	-	1,662,985	3,866,378	3,422,625	11,304,564	42,869,649
Total	<u>\$ 111,237,775</u>	<u>\$ 69,504,513</u>	<u>\$ 1,091,072</u>	<u>\$ 6,094,777</u>	<u>\$ 63,397,952</u>	<u>\$21,394,590</u>	<u>\$ 50,100,818</u>	<u>\$ 322,821,497</u>

Sacred Heart University, Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2024 and 2023

	Program Services					Supporting Activities		2023 Total
	Instruction	Student Services	Scholarships and Fellowships	Public Service Radio Station	Auxiliary Activities	Academic Support	Institutional Supporting Services	
Salaries and benefits	\$ 76,697,491	\$ 27,469,900	\$ -	\$ 3,140,824	\$ 6,061,687	\$ 12,890,393	\$ 22,278,796	\$148,539,091
Occupancy, utilities, and maintenance	3,846,140	3,188,527	-	535,665	8,138,502	579,295	1,949,712	18,237,841
Professional fees and contract services	7,922,711	12,335,795	-	615,836	24,139,285	1,169,659	6,977,104	53,160,390
Depreciation, amortization, and interest	9,527,373	5,380,303	-	394,922	17,440,305	1,187,842	3,698,397	37,629,142
Student aid	-	-	3,159,114	-	-	-	-	3,159,114
Other operating expenses	6,843,728	14,103,006	-	1,707,434	3,418,263	3,998,763	9,506,488	39,577,682
Total	<u>\$ 104,837,443</u>	<u>\$ 62,477,531</u>	<u>\$ 3,159,114</u>	<u>\$ 6,394,681</u>	<u>\$ 59,198,042</u>	<u>\$ 19,825,952</u>	<u>\$ 44,410,497</u>	<u>\$ 300,303,260</u>

Institutional supporting services include total fundraising costs of \$3,537,435 and \$3,878,950 as of June 30, 2024 and 2023, respectively. Fundraising activities of the University include salaries and employee benefits of program staff that develop proposals for fundraising; solicit contributions for those needs and for endowment purposes from individuals, corporations, government agencies, and foundations; and conduct specific fundraising events. Fundraising costs are expensed as incurred.

NOTE 13 - COMMITMENTS AND CONTINGENT LIABILITIES

The University has entered into operating and short-term leases primarily for office space, residence halls, and 62 acres of land which expire through 2080. Effective May 1, 1990, the University extended its lease agreement on approximately 53 acres of land, amended June 28, 2016 to include an additional eight contiguous acres, and buildings thereon with the Diocese of Bridgeport for 90 years. In connection with the lease, the University instituted a scholarship program providing for a minimum tuition benefit per academic year. The initial tuition benefit was \$180,000. The University entered into a memorandum of understanding with the Diocese and agreed to adjust the minimum tuition benefit for inflation every five years. The minimum benefits total \$357,205 for fiscal years 2024 and 2023. The actual tuition benefits afforded under the lease agreement in fiscal years 2024 and 2023 were \$209,852 and \$148,787, respectively.

Operating leases with lease terms greater than one year are reported as operating lease right-of-use assets and operating lease liabilities in the consolidated balance sheet.

The table below presents a maturity analysis of the operating lease liabilities and a reconciliation of the total amount of such liabilities in the consolidated balance sheet as of June 30, 2024:

Year Ending June 30,

2025	\$ 3,079,008
2026	2,838,074
2027	1,221,692
2028	1,139,040
2029	750,059
Thereafter	<u>19,062,526</u>
	28,090,399
Less discount for present value	<u>(6,514,814)</u>
	<u>\$ 21,575,585</u>

The University also entered into a finance lease, where the present value of the minimum lease payments as of the lease inception date substantially exceeded of the fair value of the leased equipment. The finance

Sacred Heart University, Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2024 and 2023

lease is recognized as both a liability and an asset at the present value of the minimum lease payments at the inception of the lease. Interest expense is recognized on the lease liability over the term of the lease, and the asset is depreciated over its useful life.

The table below presents a maturity analysis of the finance lease liabilities and a reconciliation of the total amount of such liabilities in the consolidated balance sheet as of June 30, 2024:

Year Ending June 30,

2025	\$ 21,965
2026	21,965
2027	10,982
2028	-
2029	-
Thereafter	-
	<hr/>
Less discount for present value	(687)
	<hr/>
	<u>\$ 54,225</u>

Lease costs and other related information for the year ended June 30, 2024, and 2023 were as follows:

	<u>2024</u>	<u>2023</u>
Lease cost:		
Finance		
Amortization of right-of-use asset	\$ 21,413	\$ 29,131
Interest on lease liability	668	6,351
Operating lease cost	4,576,180	4,531,063
Short-term lease cost	512,177	654,265
Less sublease income	<u>(150,366)</u>	<u>(106,490)</u>
Total lease cost	<u>\$ 4,960,071</u>	<u>\$ 5,114,320</u>
Other information:		
Cash paid for amounts included in measurement of lease liabilities:		
Operating cash flows		
Operating leases	\$ 4,441,033	\$ 3,827,829
Finance leases	668	6,351
Weighted-average remaining lease term		
Operating leases	37.35 years	34.92 years
Finance leases	2.50 years	3.51 years
Weighted-average discount rate		
Operating leases	2.36%	3.82%
Finance leases	1.04%	5.13%

The University has 18 outstanding contracts in connection with construction. The contracts relate to new construction and/or renovations on leased property at 5151 Park Avenue in Fairfield, Connecticut, and various other properties owned by the University in Connecticut, and in Dingle, Ireland. The amount of the contracts remaining total approximately \$43,246,551 at June 30, 2024.

Sacred Heart University, Inc.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - CONTINUED

June 30, 2024 and 2023

There are various lawsuits and other legal proceedings against the University. Management is of the opinion that the ultimate disposition of such litigation will not have a material adverse effect on the University's consolidated financial statements.

NOTE 14 - IMPACT OF COVID 19

The World Health Organization declared COVID-19 (Coronavirus) a pandemic on March 11, 2020. Fiscal year 2023 was the final year the University received an allocation from the Higher Education Emergency Relief Fund (HEERF), totaling \$2,272,316, all of which was distributed for the purpose of providing emergency aid to eligible students. No allocation or distribution occurred in fiscal year 2024.

NOTE 15 - RELATED PARTY TRANSACTIONS

The University has a written conflict of interest policy that requires, among other things, that no member of the Board can participate in any decision in which he or she (or an immediate family member) has a material financial interest. Each trustee is required to certify compliance with the conflict-of-interest policy on an annual basis and indicate whether the University does business with an entity in which a trustee has a material financial interest. When such relationships exist, measures are taken to mitigate any actual or perceived conflict, including requiring that such transactions be conducted at arm's length, for good and sufficient consideration, based on terms that are fair and reasonable to and in the best interest of the University, and in accordance with relevant conflict of interest laws. Members of the Board of Trustees, officers, and employees are subject to the University's conflict of interest policies, under which business and financial relationships must be disclosed and are subject to review and approval. University employees reporting directly to a Vice President or that have fiduciary responsibilities for their departments are required to complete, sign, and submit annual conflict of interest statements. Statements that contain significant conflicts must include conflict mitigation measures approved by their manager. Disclosures about the University's related party transactions, including with affiliated institutions, are referenced in Notes 2, 4, 8, 13 and 16 to the consolidated financial statements. Related party transactions included in the consolidated statements are between the university and Sacred Heart Campus in Dingle (CLG), and Coram Lane, LLC. Transactions between the consolidated entities are eliminated in consolidation.

NOTE 16 - SUBSEQUENT EVENTS

In connection with the preparation of the consolidated financial statements, the University evaluated subsequent events after the balance sheet date of June 30, 2024 through October 28, 2024, the date the consolidated financial statements were issued.

On July 1, 2024, the University completed the asset purchase of Notre Dame High School, situated on 23 acres adjacent to the University in Fairfield, CT, for \$15 million from the Diocese of Bridgeport. The consolidated balance sheet as of June 30, 2024, includes a \$10 million deposit held in trust for this purchase. The high school now operates as Notre Dame Prep of Sacred Heart University. No other subsequent events requiring recognition or disclosure have been identified.